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IN SECTION TWO

Shrink the state, Patten urges

DONALD MACINTYRE
Political Editor

Chris Patten, Governor of Hong Kong, last night issued a startling warning that Britain needs radically to "shrink" the state, to compete with "booming" Asian economies, where only 16 to 25 per cent of national income goes on public spending.

The former Conservative chairman became the most authoritative figure on the one-night left of the Tory party to back a massive reduction in state-spending as a proportion of Gross Domestic Product. The British percentage currently is 43 per cent. Mr Patten's conversion mirrors that of his friend, William Waldegrave, the Chief Secretary, who earlier this month said the further that spending, as a percentage of national income, could be driven below 40, the better.

Some Tory MPs will see it as a sign of the reunification of left and right in the run-up to the general election, as it coincided with an endorsement by Douglas Hurd, former foreign secretary, of what is seen as the more Eurosceptic stance of his successor, Malcolm Rifkind.

Kenneth Clarke, the Chancellor, said last weekend in a



Chris Patten: Conversion

BBC interview that it was desirable to "work towards" ensuring that the state "really should never take more than 40 per cent of GDP". However, Mr Clarke also repeated his commitment to a "high quality" health service, higher standards of education and the welfare state.

While insisting that he did not advocate a "slash-and-burn" approach to public spending, Mr Patten used a comparison with Hong Kong and other vibrant Asian economies to stress that "we shall only be able to restore the authority of states by shrinking what they do".

Mr Patten said he was not calling for the "crasser sort of

individualism", or suggesting "that we need an ideological assault on the public service". Nor did he suggest in his speech to the Conservative Political Centre to what level expenditure should be cut. He added that the big European states were "muscle-bound but weak, ambitious but decided. To do much better they must do less."

Mr Patten's speech came as Mr Waldegrave warned the Tory backbench finance committee that tough spending cuts would be needed in the current round.

In Hong Kong, Mr Patten's intervention will be seen as the start of his re-entry into British politics, and of his detachment from local affairs. Nevertheless, much of Mr Patten's trip is devoted to Hong Kong affairs.

In meetings with Mr Rifkind, Michael Howard and Robin Cook, Labour's foreign affairs spokesman, the governor is pressing his case for holders of Hong Kong British passports to be given rights of British residence. Mr Patten is especially pressing the case of 7,000 residents of Indian origin who could become stateless.

Mr Hurd went out of his way in a speech to the Conservative Group for Europe last night to dispel any notion that he was at

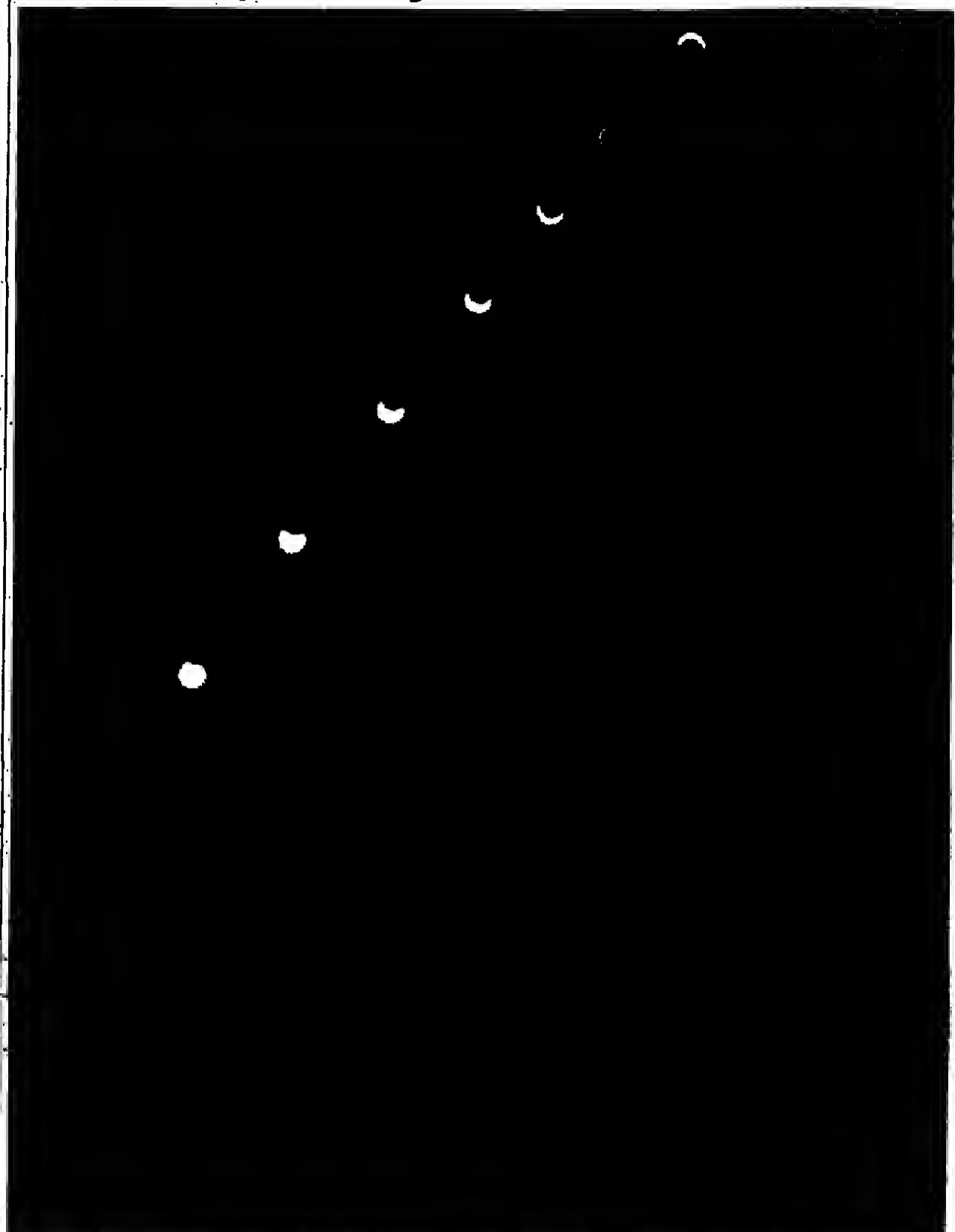
odds with Mr Rifkind over the Chatham House speech delivered by the Foreign Secretary, in which he said Britain should not subordinate its own interests in order to maintain international influence. Mr Hurd urged "all Conservatives to support the European policy now being carried forward by the Prime Minister and the Foreign Secretary".

But Mr Hurd's plea not to disrupt the "truce" inside the party over Europe will also be seen by pro-European as a warning to Cabinet right-wingers who have launched a fresh effort to persuade Mr Major to rule out a single currency in the next Parliament.

Although Mr Major is understood to have listened sympathetically to pleas from a group of ministers, including Lord Cranborne, leader of the Lords, for a manifesto commitment not to join a single currency, Mr Clarke and Michael Heseltine, the Deputy Prime Minister, are thought still to be resistant to any change in the stance of neither ruling EMU membership in or out. Mr Clarke in the same weekend television interview stressed his enthusiastic support for the "policy we have all agreed".

Patten's speech, page 19

Eclipse puts Taj Mahal in the shade



Dark star: A multiple-exposure photograph showing the sun eclipsed by the shadow of the moon over the Taj Mahal yesterday. The sun was eclipsed across a 30-mile band of India. Reports, page 3; Photograph: Craig Fujii/AP

Tories uneasy over divorce Bill

COLIN BROWN
Chief Political Correspondent

The Lord Chancellor, Lord Mackay of Clashfern, will tomorrow attempt to head off growing Tory backbench unrest about divorce law reform. With an estimated 100 Tory MPs prepared to vote against the changes, the Government is likely to offer a free vote. Labour support will guarantee its passage through the Commons.

A group of Tory backbenchers, led by John Patten, the former Secretary of State for Education, are building oppo-

sition to the proposals, which would allow couples to divorce after one year without having to prove that the marriage has irretrievably broken down.

The Lord Chancellor is due to meet his party's MPs to settle backbench unrest about the Family Homes and Domestic Violence Bill, which rationalises civil remedies for domestic violence, but MPs said last night they intended to express their concern at the proposed divorce reform Bill.

Senior Conservative backbenchers said the Government could still be forced to climb

down on the measure, although Lord Mackay is insisting that the Bill should be included in the Queen's Speech next month.

Mr Patten has called for the Government to "bury the Bill" before it reaches the House of Commons. Opponents, among them John Redwood, the leadership challenger, argue that the better ideas in the divorce White Paper could be enacted without abolishing the principle of fault in divorce. These elements include a requirement for the person seeking the divorce to attend a compulsory interview with a panel of professionals.

The Lord Chancellor has lobbied hard at Westminster. He said recently at the launch of the Catholic Marriage Care organisation: "I want couples to talk to each other. I want them to be able to think through the consequences of divorce before it happens."

The divorce Bill is likely to be introduced in the House of Lords. A number of Catholic MPs, including Mr Patten, are opposed to it, but the Catholic bishops have welcomed the attempt to minimise the damage caused by high divorce rates.

Polly Toynbee, page 19

Churches unite to attack 'damaging' lottery

RHYS WILLIAMS

Senior representatives of Britain's main churches attacked the National Lottery yesterday, accusing it of undermining public culture and damaging society.

In the first official cross-denominational statement since the lottery was introduced last year, the Council of Churches for Britain and Ireland said that the public benefit served by proceeds from the weekly draw and scratch cards had failed to compensate for the harm being done to the vulnerable and poorer sections of society.

After a meeting of its social responsibility representatives, the findings will be passed on to church leaders. The council said in a statement read by the Rt Rev David Sheppard, the Bishop of Liverpool: "One of the achievements of govern-

ment legislation in the 20th century has been the regulation of gambling. The National Lottery threatens recklessly to dismantle those regulations."

"The National Lottery's huge advertising budget, coupled with publicity in the media, has created a considerable likelihood of gambling harm with little prospect of public benefit."

The lottery was undermining "the public culture", in which "money from taxation, charities working at national and local levels, central and local government have co-operated to sustain the common good".

The council called on the Government to commission independent research on all aspects of the lottery and urged Parliament to establish a Gambling Research Council. It also demanded that no more licences for instant game scratch cards be issued, that the mini-

mum age for playing the lottery be raised to 18, and the size of jackpots limited to around £1m. And on the day after more than 600 charities were awarded £40m of lottery cash, the council also reminded people that the most effective way of helping charities was by donations.

A Camelot spokesperson said last night: "It's disappointing that the Church is taking such a negative view of the National Lottery, which is enjoyed by 30 million players each week and has raised over a billion pounds for good causes to date. Parliament decided that the minimum age for playing the National Lottery should be 16, and we believe this is the right age. The minimum age for doing the Pools is also 16. We are confident that our prize structure will maximise returns to the good causes."

Winning quality, page 5

Prudential branches into telephone banking

NIG CROUTI and JOHN WILLCOCK

Prudential, the UK's largest insurer, yesterday declared war on all the high street banks and building societies by announcing that it is to launch a telephone-based banking service.

The company said one of its main targets would be to persuade its 6 million clients, who receive up to £1bn a year when their policies mature, to bank with the Pru.

It also intends to launch a massive advertising campaign aimed at winning over millions of other bank and building society customers.

The insurer also aims to bring under its own roof the mortgages it currently arranges with a panel of other lenders.

Prudential's move, due to begin by the end of next year, is part of a £300m reorganisation

shows is largely placed on deposit with building societies and banks. Given this base, we believe we can build a substantial business in a short period of time."

Peter Davis, Prudential's group chief executive, said that only building society-style deposit accounts would be available at first. But he did not rule out the Pru moving into more traditional banking areas, including current accounts, credit cards and other loans.

"Offering traditional building society products of competitive deposits and mortgages is an important step for Prudential in widening the range of products available to our customers," Mr Davis said.

"Prudential already arranges around £700m a year of mortgages for its customers using a panel of building societies and banks. In addition, we pay out more than £1bn per year in maturing policies which research

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IN BRIEF			
Rivers in danger Scotland's rivers, a vital natural resource for industries such as tourism, fishing and whisky, are being destroyed by pollution and building developments, the World Wide Fund for Nature warned. Page 9	Vote of no confidence The Confederation of British Industry reported the biggest drop in business optimism since Britain tumbled out of the European exchange rate mechanism in 1992. Its latest survey confirms slower growth, described by Andrew Buxton, chairman of the CBI's Economic Affairs Committee, as a "warning signal". Page 21	Abuse inquiry verdict John Bennett, director of social services in Northumberland for the past nine years, has applied to retire on the grounds of "permanent ill-health" after an inquiry, accused him of misleading government officials over abuse in local children's homes. Page 2	Tactical withdrawal Both the European Commission and the European Parliament backed away from any confrontation with France over the issue of French nuclear tests. Page 12
Funeral fight Lord Young of Darrington is spearheading a bid to head off the privatisation of council crematoria, which he says will lead to a mass take-over by one US funeral company. Page 2			



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news

The Rosemary West trial: Pathologist tells court how alleged victims were bound, gagged, and dismembered

Grim remains reveal 'torture masks'

WILL BENNETT

The masks allegedly used to silence women who were kept alive while being sexually abused by Rosemary and Frederick West were described to the jury at Winchester Crown Court yesterday.

Seven of the nine victims whose remains were found at the couple's home at 25 Cromwell Street, Gloucester, had been masked or gagged. Most had been decapitated and dismembered and many had bones missing.

Details of the grim discoveries during the police excavation at Cromwell Street last year were given to the jury by Professor Bernard Knight, a Home Office forensic pathologist who was called to examine the remains found at the house.

Mrs West, 41, denies murdering ten girls and young women whose remains were found at 25 Cromwell Street and at the Wests' previous home in Gloucester. Mr West, who was charged with 12 murders, was found dead in his prison cell on the 1st January this year.

The court heard that the bones of Shirley Hubbard, 15, were found in the cellar at Cromwell Street with her skull encased in a mask of brown parcel-type adhesive tape around her head 11 in 12 times. Inserted in this was a plastic tube, part of which was bent up to reach her nostrils.

Alison Chambers, 16, was discovered with a leather belt fastened around her skull while a knitted cloth, square-folded and rolled to form a loop, was



Bernard Knight: Remains were in 'anatomical disarray'

found next to the skull of Theresa Siegenthaler, 21.

Lucy Partington, 21, had two pieces of woven cord-type material knotted together below her jaw, and Juanita Mott, 18, was discovered with a band of

fabric passing under her jaw and around the back of her head and with a plastic covered rope wrapped around other bones.

A ring-mask of adhesive tape was found near the skull of Lynda Gough 19, and Carol Cooper, 15, was discovered with an elasticated cloth band around the low part of her skull which had been wound round her jaw and the back of her head.

There were no masks on Heather West, 16, or Shirley Robinson, 18, whose remains were also found at 25 Cromwell Street, or on those of Charmaine West, 8, daughter of Mr West's first wife Renna, discovered at their previous home at 25 Midland Road, Gloucester.

Professor Knight said that most of the bodies had been decapitated, dismembered and had the legs removed at the hip joints. The remains discovered at Cromwell Street were in "anatomical disarray" in graves too small for them to be buried full-length.

In every case bones were missing, most commonly one or both knee caps, and large numbers of wrist, ankle, toe and finger bones. There were cut marks made by sharp implements on many bones and a knife was found in Lucy Partington's grave.

Professor Knight said that it was not possible to give the cause of death in any of these cases or to say whether or not decapitation and dismemberment took place after the victims had died.

During the evidence about the remains of Heather West, her mother, who normally watches everything being said in the witness box, looked intently at the floor of the dock.

Earlier the jury had listened to tape recordings of police interviews with Mrs West after her arrest in February last year.

Detective Sergeant Terence Onions told her that Mr West had gone back to 25 Cromwell Street with police officers. DS Onions said: "During that visit to the house he indicated the officers were digging in the wrong area of the plot or garden. He then indicated where they should dig and should dig."

"A short while ago human remains have been recovered from the area which Mr West has indicated and for obvious reasons we believe those human remains to be those of your daughter Heather. Is there anything you want to say about

that?" Mrs West shook her head and did not reply. DS Onions asked: "Was [Heather] killed because, as you said, she was different from the rest because she was going to blow the whistle on what happened in your house?" Which, from statements I have read from your children, was a bit like a prison for them," Mrs West said: "I do not know nothing about it."

During the interview she told police that her husband had forced her to have sex with black men who paid him for this, and that she had slept with one of them the night after Heather vanished. She said that her husband was a violent man who had hit her on a number of occasions, once twisting her jaw, and that he had once tried to choke her.

The trial continues today.

IN BRIEF

Siamese twins given private funeral

The Siamese twins Nicole and Chloe Asbury, who died last Thursday after surviving 35 days, were buried yesterday at Deighton cemetery, Manchester.

The girls' father, Brian Asbury, 26, carried the joint coffin, followed by his wife Melanie, 25, and about 40 mourners after a Church of England service in the cemetery chapel. The twins died of a rare bowel disease within five minutes of each other at St Mary's Hospital, Manchester, where they were born.

Mass DNA tests

Warwickshire police took the first of up to 800 DNA samples as they stepped up their hunt for the killer of Naomi Smith, 15, whose mutilated body was found 200 yards from her home at Anstey Common near Nuneaton on 14 September after she had gone out to post a letter. Police described it as an "elimination exercise", which is not compulsory.

Gurkhas reprieved

Four hundred Gurkhas who were going to be made redundant because of army cuts will be kept on for another three years to fill gaps in British infantry regiments resulting from the current recruiting crisis.

Archdeacon ousted

One of the Church of England's most controversial traditionalists, the Venerable George Austen, the Archdeacon of York, has lost his fight for a seat on the General Synod. The Venerable Christopher Hawthorn, the Archdeacon of Cleveland, replaced him.

Firefighters' strikes

Members of the Fire Brigade Union in Merseyside announced more 24-hour strikes on 1, 2, 4 and 6 November when talks over job losses and shift patterns broke down.

One up, three down

A man who fell through three floors when his terrace house in Huddersfield collapsed walked away with just bruising. Builders were working on the floor below where George Gayle was watching television when the house collapsed.

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Peer leads fight to scupper sale of crematoria

PETER VICTOR

Lord Young of Dartington is spearheading an attempt to head off the privatisation of council crematoria. The National Funerals College, which is writing to all the local authorities in Britain, claims the sale of council crematoria will lead to a mass takeover by one American funeral company.

Lord Young, a life peer and founding president of the funerals college, has laid down a motion in the House of Lords aimed at scuppering the Government's planned privatisation of Britain's 193 municipal crematoria.

According to the funerals college, the Government plans to transfer these to the private sector "on as large a scale as possible".

It will offer councils a "bribe" to encourage them to sell, the college adds. "Up to now the grip of the central government has required councils to set aside 50 per cent of any crematorium sales and use it to redress debt. Under the new regulations they will be able to keep for their general purposes 90 per cent rather than 50 per cent of the proceeds."

"The inducement is to operate only for a period of 18 months from 1 January 1996. Privatisation is to be rushed through, it seems, before the general election."

Local authorities are under financial pressure to raise funds for the cost of meeting new environmental regulations on pollution. Under the Environmental Protection Act, crematoria have to meet new smoke-emission standards, and the cost is likely to be at least £450,000 to upgrade each crematorium.

The Government has also told councils that they must get money from private sector partners or buyers before seeking any cash from taxpayers for the improvements.

According to the funerals college only one private sector buyer has expressed any interest: Service Corporation International, an American funeral service company, has already acquired funeral directors covering 15 per cent of the United Kingdom funeral market.

A college spokesman said: "The Government will be helping to create a monopoly, starting with a series of local monopolies linking local funeral directors to the local crematorium. The costs of funerals are already an awful burden to some people and the burden could become much more so in the future."

This is particularly worrying, according to the college, because there will be no outside regulator to oversee the funeral companies. It warns: "If the Government refuses to withdraw its latest privatisation, the commercialisation of funerals could be taken much further than it has so far. The fundamental religious significance of a funeral could be further dimmed by an array of devices for making more money out of death."



Face to face: Archbishop Desmond Tutu with his bust, by John Houlston, which was presented to King's College London yesterday. Photograph: Dillon-Bryden

Prison attack leads to security inquiry

An inquiry was set up yesterday into prison security as it emerged that Michael Sams, a convicted killer, had made several threats before he tried to throttle a probation worker at Wakefield jail, writes Jason Bennett.

Sams, 53, attacked the probation officer, Julia Flack, 49, an archdeacon's wife, on Monday as she held a surgery in the prison. Sams was jailed two years ago for the murder of Julie Dart and the kidnapping of an estate agent, Stephanie Slater.

The National Association of Probation Officers claimed that no one had told its workers that Sams had been transferred to the prison's B wing, where the incident took place.

Its assistant general secretary Harry Fletcher also claimed that there had been complaints that Sams had made a number of threats, mainly against female members of staff. The Prison Service is investigating the case.

The announcement came on the day that a Government report was published, revealing the results of a survey in which one-third of the Herfordshire probation staff who took part said they had experienced

threats, abuse or assaults over a three-year period.

Better training and risk assessment must be carried out, the report said. It added that the number of dangerous criminals probation workers deal with had more than doubled since 1985 to 14,000 in 1993.

Council chief quits in abuse row

GLENDA COOPER

A council social services director is retiring after an inquiry accused him of misleading government officials over abuse in local children's homes.

John Bennett, director of social services in Northumberland for nine years, has applied to retire on "grounds of permanent ill-health", the council leader, Ian Switbank, said last night.

The report, commissioned by Northumberland County Council and carried out by William Kilgallon, chief executive of a Leeds housing trust, found that the reasons Mr Bennett gave for suppressing allegations of practices "akin to pin-down" to both the Department of Health and his own social services committee were "not convincing".

In 1991 the department requested all authorities to review residential child care practices in the wake of the Staffordshire "pin-down" inquiry. The report defines pin-down as containing



John Bennett, left, and William Kilgallon, who found the director suppressed evidence of 'pin-down' in a children's home.

"the worst element of institutional control" such as special clothing, strict routine, segregation and humiliation.

Eight of the nine homes in Mr Bennett's area were found at Netherthorpe Park, which houses boys and girls with difficult behaviour, the review team found "a very worrying general attitude towards children and [the



log books) contained material indicating practices that might be said to be "akin to pin-down".

The report also recommended an independent review should be set up "as a matter of urgency".

However, Mr Bennett withdrew all copies of the report and told the social services committee that there was "no evidence of practices similar to

those which took place in Staffordshire" and also reported back to the Department of Health that areas of concern "did not indicate a regime akin to pin-down".

Mr Bennett told the inquiry that he felt that the review team had reached the wrong conclusions. Mr Kilgallon said: "In my view the reports to the social services committee and to the Department of Health do not reflect the conclusions of the review team and the reasons given for the withdrawal of their report are not convincing."

Mr Bennett's decision to stand down came as a surprise development from yesterday's publication of the inquiry report which was initially set up to look into the separate issue of complaints about the Meadowdale Children's Home at Beadlington during the 1970s and 1980s.

The report into sexual and physical abuse at Meadowdale will now be referred back to the Crown Prosecution Service after the local authority acknowledged that there was

"sufficient substance to the allegations to give serious cause for concern".

The Kilgallon report speaks of three staff members, who used "physical chastisement, particularly on male residents", including the practice known as "knuckling" - a blow to the head with a fist.

The report also looked at the issue of "inappropriate restraint" at Meadowdale arising from children who, due to their disabilities, had difficulty using ordinary furniture or beds.

"Robert" [not his real name], now aged 16, suffering from cerebral palsy and epilepsy, was filmed aged 10 tied down in his bed with a baby harness and thick leather straps.

The video was given to his 35-year-old mother by her son's former foster parents who obtained it accidentally. She said: "I felt disgusted when I saw it. Someone somewhere will have to answer to me over this. What I hope is that the report will show that the people who did this are going to be punished."

Children betrayed by the professionals

Allegations of abuse in homes contain the sad irony: the children were put there because it was thought they would be safer, writes Glenda Cooper.

As the mother of "Robert", who went to Meadowdale, said: "I handed him over to these 'professionals' and this is how I've been repaid."

The Cleveland inquiry in 1987 identified serious faults in the system by which children were taken into care. Four years later "pin-down" - where children in the care of Staffordshire County Council were kept in isolation for days as a punishment for unruly behaviour - catapulted care in residential homes into prominence.

Under pin-down, children were left in their nightclothes, not allowed to speak to anyone, had to knock on the door to go to the lavatory and had no books or entertainment. Some tried to kill themselves.

But Staffordshire was not the only scandal. In the 1980s, at the Kinross boys' home in Northern Ireland, three people, including the house father, were convicted of sexual offences.

Frank Beck was convicted in 1991 of 17 charges of sexual and physical abuse of boys and girls in Leicestershire children's homes. He died in prison in June 1994.

Two damning independent reports into the case were published in February 1993. One, for the Police Complaints Authority, accused officers of "incompetence, negligence and prejudice" in dealing with Beck and blamed them for tending to disbelieve children.

The other report into the county's social services department judged managers "inadequate, naïve and out of their depth". In 1992, a police inquiry

into allegations of abuse in children's homes in North Wales became the biggest investigation ever mounted.

It was estimated there were more than 200 allegations of abuse revolving around two council-run children's homes; Bryn Estyn, in Wrexham, Clwyd, and Ty'r Felin, in Bangor, Gwynedd.

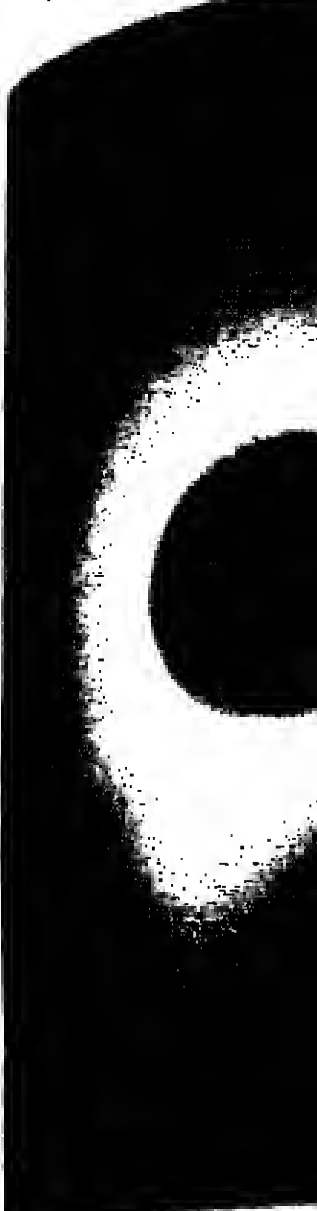
Altogether 46 homes were under investigation in Clwyd and 17 in Gwynedd. Peter Howarth, deputy principal of Bryn Estyn between 1976 and 1984 was jailed for 10 years for indecency with children. Two

other men received jail sentences after being found guilty of sexual assaults and two others were given conditional discharges.

Less than six months ago, a report said Islington Council's "politically correct" equal opportunities policy led to children being left at risk from suspected child abusers.

The council was accused of operating a "pro-active" anti-discrimination policy of recruiting staff without conducting checks on their background, thus failing to protect children from unsuitable staff.

Solar black out: Asia



Nature's display is

Mongolia

Various small text fragments and advertisements on the right edge of the page.

صلى الله عليه وسلم

Solar black out: Millions gather to see Moon obstruct morning light as India's superstitious stay inside to ward off evil spirits

Asia shrouded in a total eclipse of the sun



Darkest hour: The total eclipse of the sun at Saraburi in central Thailand yesterday, while (right) young Buddhist monks view a partial eclipse at Mae Sot on the border between Thailand and Burma

Photographs: Reuters

TIM MCGIRK
Rajasthan

In confusion, the birds stopped flying. The sun was still shining in the Rajasthan desert, and yet it grew cold. The shadows cast by the neem trees spilled out over the ground and spread, until the earth and the sky ran together like quicksilver. India's last total solar eclipse of the century was beginning.

The total solar eclipse was seen by millions across Asia. It stretched in a narrow band, around 100 miles wide, from Afghanistan through Pakistan, northern India, Bangladesh, Burma, Thailand, and Borneo.

In Bangkok, the eclipse made the rush-hour traffic jams even worse as people stopped to gaze heavenwards at the darkening morning sky.

India's Taj Mahal, which was only partially in the eclipse's path, was bathed in pearly twilight, while the sky blackened completely over Cambodia's Angkor Wat temples.

Nobody wants to see a solar eclipse alone, when the light of the heavens goes out, and along the road to Jaipur, incongruous groups - shepherd boys, lorry drivers, tourists and a few amateur astronomers - huddled together in awe of the eclipse's dark beauty.

The shepherds and gaunt, turbaned farmers passed around a blackened glass, or tried viewing the eclipse through a sweet wrapper. They sneaked hurried glimpses at the sun as though peeking through a doorway at something forbidden - dangerous, while beside them, astronomers twirled the knobs on their tinted-lens telescopes and cursed every time the elusive eclipse slid from sight.

On the highway between Delhi and Jaipur, a man appeared selling day-glow green sunglasses "special for eclipse only". At five rupees a pair, the salesman found a few customers

and then cycled off to make his last profit this century on garish eclipse sunglasses.

As the Moon crossed in front of the Sun, I could see an effect known as the Diamond Ring, in which the sunrays blaze out from a deep valley on the Moon's edge like a sparkling gem. The sky was dark enough, in mid-morning, to see a thorny cluster of stars. In seconds, the Sun was entirely blotted out by the Moon. Solar flares, some shimmering out into space for 3 million miles, became visible. I could see where the ancients believed that during an eclipse, the Sun was being devoured by angry serpents. These superstitions

die hard; far off in the Rajasthan desert, a gun was fired, presumably at the eclipse.

The complete solar eclipse lasted around 30 seconds, perhaps less. To witness this, I had dragged my family out of bed at 4am and driven 100 miles down the Jaipur road, one of the most perilous in all India. Usually, the highway streams with buses, lorries and camel carts, but because of bad luck associated with eclipses, many drivers stayed at home.

Not all the drivers did, though. Where the highway narrowed for a bridge, three lorries had crashed. A few corpses were laid out under a dirty

canvas. As we stopped to examine the wreck, a Sikh asked if we were going to see the eclipse. He was.

Was the eclipse inauspicious? The Sikh glanced at the burning lorry on the Jaipur road and shrugged. "No, this is a daily occurrence".

Returning to the capital yesterday morning, I found the streets deserted even though it was supposed to be a normal work day. People who had stayed in New Delhi during the eclipse said that the sudden darkness had grounded thousands of crows and other birds.

Even though Hindu astronomers have been adept at

predicting eclipses since the fifth century, ancient superstitions about the curse of the gods still grip many Indians. Pregnant women were warned to stay indoors to shield against harm to their fetuses, and many Hindus refused breakfast because the eclipse's shadow rays are believed to contaminate food.

Thousands of Hindu holy men, known as sadhus, converged on a large tank at Kurukshetra, 70 miles west of New Delhi, to wash away the polluting effects of the eclipse. Many Indians shuttered themselves up at home, watching the event on television or performing ceremonies to ward off

the personal and national calamities which are thought to follow in an eclipse's wake.

Earlier Guards at Cambodia's Angkor Wat temples had been disarmed to stop them from shooting in a panic at the dragon swallowing the sun. Thousands of Buddhist monks and visitors also gathered anxiously at Angkor to watch whether the eclipse would bring good luck or bad.

But after studying the omens, the monks deemed the eclipse to be good. For the hundreds of astronomers, including over 50 from Britain, who gathered along the path of the eclipse, there was never any doubt.

Nature's most awe-inspiring display is a scientific 'fluke'

A total solar eclipse - when the disc of the moon completely covers that of the sun - occurs because of a fluke of nature.

The apparent size of the two discs in the sky are almost identical, which makes it possible for the moon to blot out the sun.

The true diameter of the sun is some 400 times greater than that of the moon, but because the sun is about 400 times further away, they both appear to be the same size when viewed from Earth, which creates the "black-out" effect of an eclipse.

Jacqueline Mitton of the Royal Astronomical Society said that total solar eclipses, such as the one that swept yesterday across a large swathe of south-east Asia, from India to Indonesia, are an "awe-inspiring" event. "Gradually, the

A trick of the light can change the course of history, writes **Steve Connor**

moon edges further over the face of the sun. For just a few minutes, the sun's yellow disk is completely covered, leaving only the ghostly light of the sun's corona. Darkness falls as if it were night.

Such is the drama of a total solar eclipse that, in 585BC, an eclipse ended the five-year war between King Alyattes of the Lydians and King Croesus of the Medes. Another in 413BC so terrified the Athenians, that the Sicilians found them easy to slaughter. And in AD840, a total eclipse caused Louis of Bavaria to die of fright.

The apparent sizes of the sun and moon can vary slightly because the distance between

the moon and the Earth also changes. This means that sometimes the moon's disk is too small for a total eclipse, casting an "annular" eclipse, where the bright outside rim of the sun remains visible.

In 1919, British astronomers used a total eclipse to demonstrate that light rays from distant stars are bent by the gravity of the sun, helping to prove Einstein's theory of relativity, according to Yvonne Elsworth, lecturer in physics at Birmingham University.

Dr Elsworth added that recording the times and dates of solar eclipses has also enabled scientists to make precise measurements of the orbital track

of the moon and the planets. A total solar eclipse also allows astronomers to study the mountains of the moon, because of the shadows it generates as the moon moves past the sun. Another subject of research assisted by a solar eclipse is the sun's outer corona - its upper atmosphere which, at one million degrees Celsius, is much hotter than the surface.

A total lunar eclipse occurs when the Earth moves between the sun and the moon, causing the Earth's shadow to fall on the moon and cover it completely.

Christopher Columbus used his knowledge of lunar eclipses to predict one on the night of 29 February 1504. He then told the natives of Jamaica that God would be angry with them, unless they gave him supplies for his ship - which they did.

Mongolia set for tourism boost

SIMON CALDER and **STEVE CONNOR**

A rush of bookings is expected for trips to Outer Mongolia after yesterday's solar eclipse across Asia. The next total solar eclipse will take place in the world's coldest country in March 1997, even though March temperatures in Mongolia fall as low as -35C (-95F), astronomical holidays to the chosen viewing site north of Ulan Bator are selling fast.

Public interest in holidays based around astronomical events has grown steadily since 1986, when thousands of enthusiastic amateurs converged on places like Cairns in north Queensland for the once-in-a-lifetime visit by Halley's Comet. Eclipses are much more frequent and predictable events, with the United States space agency Nasa providing detailed predictions of timing, location and duration.

Using this data, specialist tour operators study meteorological records to find the most favourable spot on the eclipse track, then construct holidays based on the convergence of the Earth, Moon and Sun. For

Where to watch the next eclipses	
50 seconds in North-east Asia	
9 seconds in South America	
23 seconds in Europe, including Cornwall	

Michael Gill, from Solihull in the West Midlands, yesterday's total eclipse was his fifth successful viewing out of six attempts. "Every eclipse is different, and for this one the sun's corona was beautiful. You just long for more," he said.

Many of the 312 people taken to Fatchpur Sikri, near New Delhi, yesterday by Explorers Tours from Berkshire were veteran eclipse watchers. They had paid a minimum of £795 for a week in India, including return flights from London and visits to the Taj Mahal in Agra and the old royal observatory in Jaipur.

Yesterday's eclipse was regarded as painfully brief by seasoned watchers, a mere 45 seconds compared with a theoretical maximum of more than seven minutes. So as soon as the "fourth contact" took place (the moment when the Moon slipped away from the surface of the Sun), plans were being laid for other eclipses between now and the end of the Millennium. The total eclipse in the Caribbean in February 1998 is expected to attract considerably

more interest than the Mongolian event, with the island of Curacao one of the favourite viewpoints. And the only total eclipse on British soil this century is scheduled for the west of Cornwall in August 1999. Although the weather omens are not promising bookings in the Truro area are already heavy.

The interest in astronomical phenomena is not restricted to amateur astronomers, as well as all the oes crews at Fatchpur Sikri, two television teams were filming for documentaries to be shown in Britain.

Bruce Hardie, a retired BBC film unit manager and director of the solar section of the British Astronomical Association, missed out on yesterday's eclipse but has seen at least half a dozen others around the world. "It's become popular with the modern-day travel. Eclipse tours are in-the-thing at the moment. People go out to look around a country and include an eclipse at the same time. Some tour operators make it a feature," he said.

His best personal experience of totality was in Mexico in 1991 when a total solar eclipse lasted more than six minutes.

Golfer voted Britain's best dressed man

Until then, there's Glenfiddich to enjoy.



THE REFERENDUM PARTY.

Statement of Aims.

Why do we need the Referendum Party?

Both the Conservative and Labour parties are committed to the Maastricht Treaty which has resulted in a major transfer of sovereignty to European institutions. Both parties have refused to submit the European issue to a public vote or referendum. Fundamental constitutional changes, relinquishing sovereignty, should require the consent of the people.

The purpose of the Referendum Party is to present candidates whose single responsibility is to vote in Parliament for such a referendum.

Is there anything else on the Referendum Party's political agenda?

No. The Referendum Party has been created for one reason only: to obtain a fair referendum on Europe. Once the referendum has been held, the Party will dissolve itself. This is explicitly written into the Party's constitution. The Referendum Party has no other agenda or purpose.

But aren't referenda contrary to Britain's political tradition?

There have been 4 referenda since 1973, all on fundamental constitutional issues. They were:

*The Northern Ireland Border Poll, 8 March 1973.

*UK membership of the European Economic Community (EEC), 5 June 1975. (To be a member of the EEC as it was then structured according to the Treaty of Rome.)

*Devolution for Scotland, 1 March 1979.

*Devolution for Wales, 1 March 1979.

More recently, John Major has promised a referendum in Ulster on the outcome of the peace talks.

Britain's foremost constitutional authority, A.V.Dicey, wrote "the main use of the Referendum is to prevent the passing of any important Act which does not command the sanction of the electors."

"The Referendum supplies ... the best, if not the only possible, check upon ill-considered alterations in the fundamental institutions of the country."

Why do we need a referendum?

It is almost impossible to find an issue more important to the nation than the Maastricht Treaty and its amendments. Germany's governing party, the alliance of the Christian Democrats and the C.S.U., last September published its vision of Europe. Since then, they have described their views publicly on numerous occasions. In effect, they believe that there should be a European supra-state into which would be fused all the nations of Europe. This state would have one Parliament, one Government, one Supreme Court of Justice, one currency.

Most of the Christian Democrats, in other European nations, including the British Conservative MEPs who are allied with the

Christian Democrats, and most European Socialists support the general line of the German proposals.

In 1975, when Britain voted by referendum to join the European Economic Community, the proposal was quite different. The Community was to consist of sovereign nations which would cooperate to their mutual advantage without abandoning their national identities. The concept was one of a family of nations, not of a single European supra-state.

No matter whether you are in favour of or against Maastricht, you should nonetheless welcome a referendum. Those in favour should realise that so radical a change needs to be endorsed by a majority of the public. Those opposed seek a right to vote against the proposals.

When both major parties hold similar views on a single vital issue of overwhelming importance the only way for the electorate to express itself is by a referendum.

Does that mean the Referendum Party is opposed to the single market?

No. The Referendum Party's only policy concerns the need for a fair referendum on Maastricht and any successor treaty. However, it should be clear that there is a fundamental difference between the 1986 Single European Act, which removed barriers to the free movement of people, goods and services within Europe, and the Maastricht Treaty, which provides the legal and political framework for a single European supra-state. The latter represents an irreversible transfer of power and should be submitted to a popular vote.

How many candidates will the Referendum Party field?

The Referendum Party will field candidates in each parliamentary constituency in which the principal candidates of the major parties are not committed to a fair referendum on the Maastricht Treaty and its proposed amendments.

Will you be fielding candidates in Northern Ireland?

No. We believe that it would be a mistake to introduce yet another complication to Ulster at this critical time.

Who will be your candidates?

Referendum Party candidates are ordinary men and women, trusted by their local communities, who share the conviction that there should be a referendum on Europe.

Why "ordinary people"? Aren't your candidates likely to be politically inexperienced?

The Referendum Party's platform consists of one item only - the right to a referendum. We are not seeking professional politicians but, on the contrary, people who will go to Westminster, vote for a fair referendum, ensure that it is conducted fairly, and then return to their normal lives.

Will the Referendum Party fight by-elections?

No.

How can I participate in the Referendum Party's campaign?

We welcome support and active involvement and hope that those who share our objectives will register with us as supporters.

Does the Referendum Party welcome as supporters those who are in favour of Maastricht but, nonetheless, approve of a referendum?

Of course. The Referendum Party's purpose is exclusively to obtain a referendum so that people can vote on an issue which will affect their whole future. After a referendum has been obtained, the party will dissolve itself and individual supporters will be free to campaign as they see fit.

Have candidates already been recruited?

We have established a national organisation with regional representation which currently is appointing candidates. We are organising quietly but certainly throughout the country.

Would it not be preferable just to support Eurosceptic MPs against their opponents?

In every constituency, we will make a political judgment as to whether or not to field a candidate. Our plan is to support MPs of the major parties who are formally committed to voting for a fair referendum, by not putting forward candidates against them. As we have witnessed in the present Parliament, it is not sufficient just to have a minority of Eurosceptics in the established parties to obtain a referendum, no matter the extent of their commitment.

What do you mean by a "fair" referendum?

The question has to be fair and the terms of the debate have to be fair. The question should cover the Maastricht Treaty and its proposed subsequent amendments. The Treaty provides for Inter-Governmental Conferences (IGCs) which are empowered to alter its terms. The next IGC is scheduled for 1996.

The public should be allowed to vote on the broad issue and not be granted a pseudo-referendum restricting the question to technical issues.

Insofar as the debate is concerned, the time and money allocated to each side should be split between those in favour and those against. Maastricht is not a left-right issue. It is one of yes or no. It transcends the traditional party groupings. As all the established political parties are in favour of the Europe of Maastricht, they cannot be expected to determine the terms of the question or the rules of the debate. Both need to be settled independently.

By what procedure?

A group of respected citizens whose members would consist, in equal proportions, of those in favour and those against the Europe of

Maastricht, should consider the issues publicly and put forward proposals to the Speaker of the House of Commons.

If the main political parties commit to a referendum, will the Referendum Party stand down?

Yes. If the question and the terms of the debate are fair and the result is binding.

Would the Referendum Party then dissolve itself?

Yes.

What happens if the Referendum Party were to obtain a majority in a General Election?

It is possible to pass a single piece of legislation in a matter of weeks. Therefore, a Referendum Act could be passed quickly and a fresh General Election called immediately thereafter. In the interim, a national government would be formed whose members would be drawn from all political parties represented in the House of Commons.

What would be the Referendum Party's policy if a number of its candidates were elected but not enough to constitute a majority?

Referendum Party MPs would vote tactically to best ensure the passing of a Referendum Act.

Did Sir James Goldsmith found the Referendum Party?

Yes. The Referendum Party was founded by Sir James Goldsmith in November 1994. Before then, Sir James, who holds dual British and French nationality, co-founded a political group in France together with Philippe de Villiers, Charles de Gaulle and Thierry Jean-Pierre, the well-known anti-corruption prosecutor.

Thirteen members of the new group were elected and they now form part of the "Europe of Nations" group in the European Parliament. This group brings together MEPs from the Netherlands, Denmark and France and is chaired by Sir James.

Does Sir James want to become a figure in British politics?

No. Sir James's objective is to obtain a referendum on this critical issue and let the people decide. He seeks no wider role on the political stage.

Why would Sir James spend all this money for no reason?

The political leadership in both main parties are refusing a popular referendum. In effect, voters have been disenfranchised on an issue which will determine the nation's sovereignty and continued identity. There can be no better reason.

Will Sir James be a Referendum Party candidate?

Yes. At the next general election, he will resume his residence in Surrey and stand for a local constituency.

Lottery charities: A guide to the great and good who pick the worthiest causes ☐ Board rejects 'political correctness' claims



Community spirit: Damian Killeen, director of the Strathclyde Poverty Alliance, who denied accusations that he runs 'a political campaign'

Winning qualities of decision-makers with cash to spend

REBECCA FOWLER

As the National Lottery Charities Board allocated its first £40m to organisations fighting poverty this week, the credentials of its members came under scrutiny. Who is qualified to decide which causes should benefit from lottery money, while others flounder?

The charities board has 21 members representing England, Wales, Scotland and Northern Ireland, picked by ministers from industry, academia and charities. The board is led by David Sieff, a director of Marks and Spencer, who is a lover of horse-racing, a member of the council for industry of the Prince's Youth Business Trust, and chairman of Racing Welfare Charities. Mr Sieff, who will be paid for one day's work a week from a salary range of up to £55,000 a year, is supported by a team of sub-chairmen, who will also receive some payment and non-paid members recommended by the voluntary sector. Among the most recent recruits to the board is Stella Clarke, a JP and deputy lieutenant of Avon and chairman of council of Bristol University, who has been involved in social housing. She was asked to join the board by Baroness Blatch, the Home Office minister.

Ms Clarke said. The board is given recommendations from regional advisory panels of volunteers. They are co-ordinated by salaried regional managers and their reports are based on the findings of a team of more than 100 freelance assessors. The system was defended by Sir Adam Ridley, another member of the charities board's UK committees, a board member of Hambros Bank; former special adviser to the Chancellor and member for the Council of Charitable Support. Sir Adam said the board's philosophy was to make a difference. "You could have a populist organisation that hands out money to Guide Dogs for the Blind, but money is already going there".

Other members of the National Lottery Charities Board

David Sieff: Chairman of the Association of Charitable Foundations, a part-time charity commissioner and trustee of Barnardo's.
Stella Clarke: Deputy chair of the Welsh Association of Youth Clubs, and works with Voluntary Concern.
Toni Jones: Wales and UK. Former, a member of the Countryside Council for Wales and the Agriculture Training board.
Arwida Jordan: Senior executive, National Westminster Bank, and chairman of National Charitable Trust.
John Hargrave: Director of BBC Children in Need Appeal, works with the Association of Charitable Foundations, and Gloucestershire.
William Kippenberger: Main career in finance, a member of Caring Based and a former JP.
Polomena de Lima: Psychology lecturer, community development projects.
Adrian McElroy: Rural and community development work.
Monica McWilliams: Lecturer in social and community sciences, works with youth and women's organisations.
Andrew Phillips: Solicitor specialising in charity law.
Ulfred Quinn: Expert on drug misuse, works in prisons.
John Sweeney: Political adviser on job creation, economics lecturer, probation work.
Neil Sweeney: Chartered accountant, hospital trust chairman, honorary treasurer at Queen's University in Belfast.
Chris Woodcock: Head of corporate affairs, Kollig's member of a community development trust.

Lottery board chief rejects Tory critics

JOHN ARLIDGE
Scotland Correspondent

The National Lottery Charities Board yesterday denied fresh charges that its decision to award millions of pounds to organisations fighting poverty was misguided and "politically correct".

John Rafferty, the board's director in Scotland, said that the decision to award £666,000 to the Strathclyde Poverty Alliance was "right and justified".

Tory MPs criticised the award, the largest of the first tranche of grants announced on Monday, as politically correct because the alliance campaigns on issues such as the restoration of benefits to 16- to 18-year-olds and cold weather payments.

David Mellor, the former Secretary of State for National Heritage, and Phil Galle, the Tory MP for Ayr, said that lottery funds would have been better allocated to organisations like the Royal National Institute

for the Blind "who are doing good work in Scotland", instead of groups like the SPA which, they claimed, were "concerned with single interest politics".

But Mr Rafferty yesterday described the criticism as incomprehensible. He insisted that the SPA, which provides training for local community groups seeking to combat poverty in the west of Scotland, was a genuine charity recognised by the Inland Revenue. "The Strathclyde Poverty Alliance is a registered charity. Charities are not political organisations," he said. "The SPA does very valuable work. It met the criteria we set and submitted an excellent application. We were happy to support it."

He said that the Scottish Office recently provided £33,000 for one SPA project. "This organisation is recognised by the Inland Revenue and directly supported by the Government in Scotland."

At the SPA's Glasgow headquarters Damian Killeen, its director, called the criticism "ill-informed". He said political campaigns and lobbying represented only "a very small" part of the alliance's work. It was impossible, he added, to avoid being accused of political bias when dealing with issues like poverty. "We are not a political campaign. Campaigns are only one of the things we do. It is part of any repertoire for addressing social need."

The vast bulk of the SPA's work was with members of its 500 affiliated community groups in the Glasgow area. The alliance provided training and skills programmes for people to enable them to lobby their local authorities and health boards. It also helped groups to set up food co-operatives, credit unions, and transport services in a region where three families in 10 are on income support.

Guidelines issued to grant applicants

RHYS WILLIAMS

When charities apply to the National Lottery Charities Board for grants, they are asked to bear firmly in mind the criteria that the board's assessors will use when considering awards.

According to the board's guidelines issued to applicants, assessment criteria fall into four categories - policy, potential achievements, management and long-term viability. First, applicants are asked to consider whether their initiatives fit with the board's policy priorities. The initial round of handouts now and in December will concentrate on schemes tackling poverty. Next spring, for example, the emphasis will shift to health, disability and care charities, as well as British charities working abroad.

Board assessors will then evaluate the degree to which the charity's proposed activity: involve users and beneficiaries in its development and management, encourages community participation, and fosters self-help or improvement. The board also considers how well

planned the proposal is. Applicants must demonstrate that any scheme is well-managed and financially sound, well-planned and staffed appropriately, cost-effective and good value for money, committed to equal opportunities, and able to involve volunteers effectively. Finally, assessors may consider other factors which affect the long-term success of a scheme. They may, for example, consider the presence of strategic and innovative thinking - does the activity reflect new ways of thinking about existing problems; whether there will be sustainable benefit to people or communities who participate; the potential of the activity to be seen as a pilot or model of good practice; or the likelihood of the activity continuing once funding ends.

If successful, applicants will then be monitored in two main ways. First, the board will require progress reports from organisations. Second, it will make random spot checks or request additional, detailed information to ensure that the money is being spent appropriately.

Briton held on failed warrant

IAN MacKINNON

A 48-year-old woman has been held for three weeks on an international warrant which failed in the British courts three years ago after being arrested on a day trip to France.

Brenda Price, who is detained at Loos prison in Lille, is accused of involvement in a plot to smuggle hashish into Spain in 1991, when she was allegedly seen handing over the keys of a lorry said to have been used in the crime.

Four British men were arrested and convicted after police found the Moroccan drugs stored at a Spanish villa.

An arrest warrant for Mr Price, 48, was issued in October 1992 and she was arrested at her home in Harlow, Essex, the following January. She was held in Holloway jail in London for four weeks as the Madrid authorities prepared the extradition papers, but at a hearing at Bow Street Magistrates' Court, the proceedings failed when the papers failed to arrive on time. Spain has made no further attempts to pursue the warrant and Mrs Price has travelled abroad a number of times without incident. However, on 5 October, Mrs Price, her husband, Sam and a

friend went to France for the day, crossed the border into Belgium and were stopped by police on the way back for a routine passport check.

Computer records revealed the Interpol warrant and she was arrested. The British consulate and her lawyer, Bernard Thompson, have visited Mrs Price several times but say the Spanish have provided no further information.

Mr Price, a market trader, said: "I know she'll be in a terrible state. I don't know how all this can happen after so long. She is totally innocent and had already been discharged by the court here because the Spaniards didn't want to proceed with the case."

But the Home Office said the Spanish would have been within their rights to reactivate their extradition attempts.

A spokesman at the Foreign Office said it was investigating the possibility of pressing the Spanish to move the matter forward speedily.

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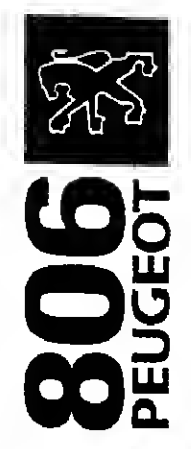
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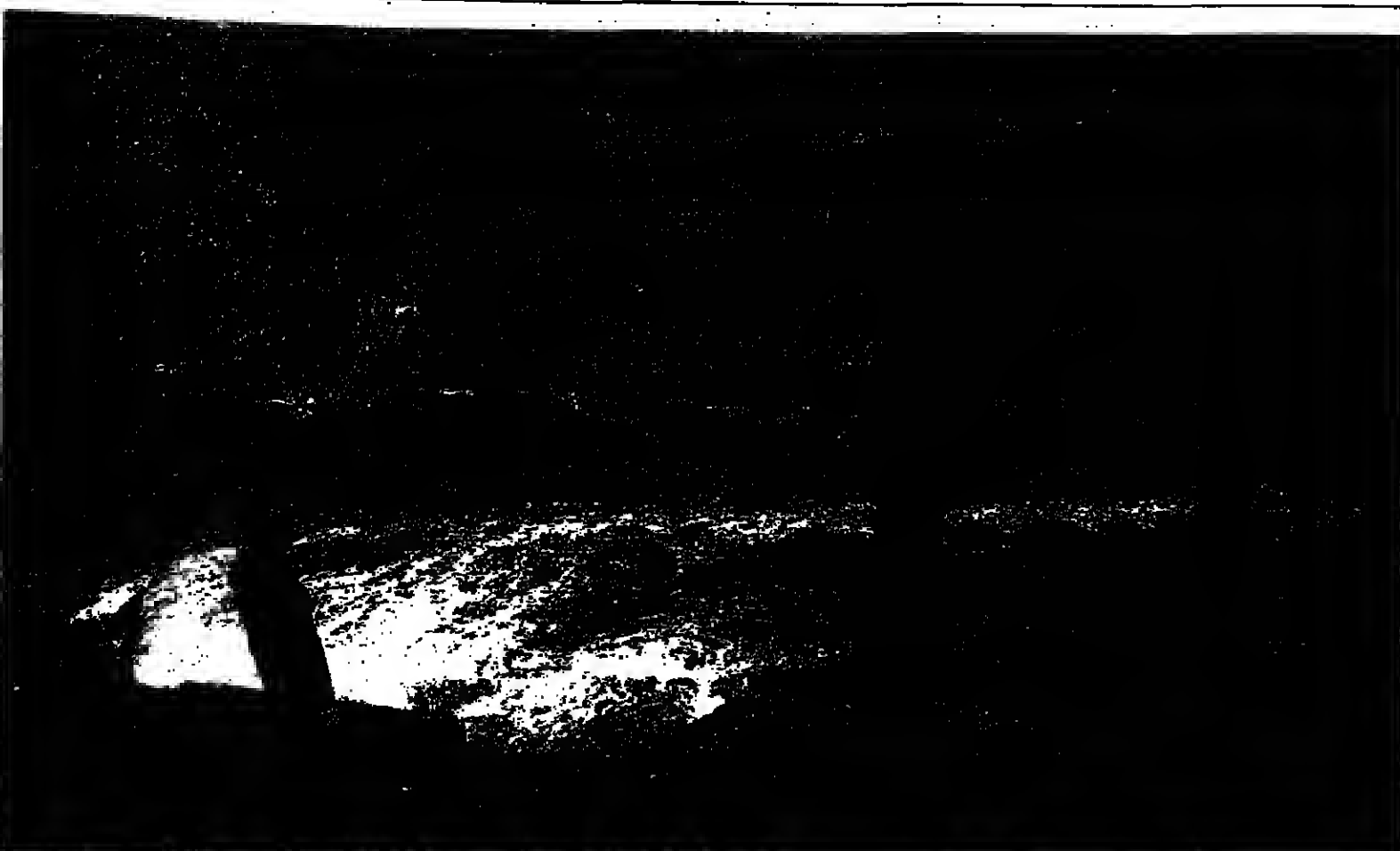
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Current concern: The river Almond in East Calder, with foam created by household and industrial detergents. Photograph: Jeremy Sutton Hibbert

Pollution 'killing Scottish rivers'

JOHN ARLIDGE
Scotland Correspondent

Scotland's rivers, a vital natural resource for multi-million pound industries including tourism, whisky and fishing, are being destroyed by pollution and building developments, the World Wide Fund for Nature warned yesterday.

The environmental group said "wild" rivers were dying out north of the border as discharges of fertilisers and industrial pollution increased.

Salmon and trout were in decline and leisure pursuits such as fishing and rafting which generate millions of pounds a year were at risk, a report released in Edinburgh said. The future of "natural" industries such as whisky distilling, which depend on clean natural water sources, was also threatened.

WWF Scotland said the deforestation of river banks, the construction of new flood control measures, hydro-electric

schemes and the increased use of fertilisers and insecticides, meant that "the cherished image of Scottish rivers wild and free is largely an illusion".

Through its Wild Rivers campaign, the organisation hopes to encourage landowners, industrialists and river users to work together to rebuild natural river environments. Simon Pepper, head of WWF Scotland, said the organisation would build on successful river regeneration schemes in France and the Netherlands to "heal this highly important and fragile resource". Discussions with landowners and anglers had already begun.

Mr Pepper said: "From source to mouth, most of our rivers are subjected to a variety of unnatural influences. The problem is getting more serious year by year. There isn't a major single catastrophic event which we can point to but there is a long slow process of degradation taking place and we

need to catch this before it goes too far. Scots are proud of their rivers. They are very important as a habitat for wildlife but also for people who get great satisfaction from them. They must be saved."

New laws might be needed to impose stricter environmental standards on farmers and industrialists, Mr Pepper said. "But in the short term we believe much can be achieved by people working together - landowners, farmers, canoeists, anglers, builders. We want to draw attention to the need for these interests to combine their efforts to safeguard rivers."

Elizabeth Leighton, head of the Wild Rivers initiative, said: "All manner of people come to Scotland to enjoy the purity of the environment and all manner of products use that environment as a marketing tool. If we lose the purity of Scotland's rivers, we lose a lot more than a few stretches of water. We lose part of the essence of Scotland."

Salmonella fear hits M&S

Marks and Spencer confirmed yesterday that it had withdrawn thousands of sandwiches from stores after traces of salmonella were found at the supplier's factory.

Routine checks at Telfer's of Northampton, which produces 400,000 sandwiches a week for the store chain, revealed traces of bacteria and the factory was closed last Wednesday while health officials investigated. Marks and Spencer said it would remain closed until it and Telfer's were satisfied there was no danger.

A spokeswoman for Telfer's said the factory was undergoing extra cleaning and staff were being given health checks. She added: "Traces of bacteria were found during the weekly quality assessment test and we told Marks and Spencer immediately and they withdrew sandwiches from their stores."

The firm said that normal production would only resume when it was sure it was safe to do so. Final results of tests are expected this weekend.

Martin van Zwanenberg, Marks and Spencer's technical director, said that his company and Telfer's had reacted as quickly as possible once the test results were through.

"The sandwiches involved had obviously been sold but as a precaution we decided to withdraw all the sandwiches we had on display that Telfer's had made in the previous week and also to close the factory while we investigated the cause of this one result."

"All subsequent results, by the way, have been clear. We and Telfer's reacted on the day the results came out. We acted immediately," he told BBC's *One O'Clock News*.

DAILY POEM

Taxis

By EA Markham

And you know some things seem to be passed down through the family, like being in the army or claiming a favourite grandmother's illness: they say, once, the ruler of a country instead of killing people, like his father, made an enemy of the flowers; the smell upset him. When the country was rid of blooms he discovered what made him nauseous was new paint applied whenever he visited a school or factory.

But taxis were the things to bring tears to our eyes. When her first driver smiled, and he had bad teeth, she felt cheated, like flying to America in a second class train with waitress service. The last time she cried in a taxi was the night a man wanted to share, and she said no.

EA Markham, along with Derek Walcott and Edward Lucie-Smith, is the most cosmopolitan of West Indian poets and described by Gavin Ewart as "a writer of great intelligence and vitality who can command a very powerful wry political comment." He was born in 1939 on the island of Montserrat and moved to Britain as a teenager. He has spent his working life as a lecturer in English and creative writing. Meanwhile six poetry collections have appeared, the latest of which *Misapprehensions*, from which this poem is taken, is published tomorrow by Anvil at £7.95.

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UN Anniversary: World body gets another 50 years but China hits at big power interference

Carry on policing, world tells UN

DAVID USBORNE
New York

With three days of speeches, gala receptions and non-stop schmoozing behind them, world leaders yesterday gave the United Nations its fiftieth birthday, the gift of continuing life for another 50 years.

With the last speakers due to take the podium last night, heads of state and government were due to adopt a seven-page declaration reaffirming the goals of the UN's founding charter while pledging to launch it on a course of radical reform.

In their statement, the object of intense behind-closed-doors negotiation until almost the last moment, the leaders vowed to "give to the 21st century a UN equipped, financed and structured to serve effectively the peoples in whose name it was established".

As far it goes, the document will be a welcome conclusion for the Secretary-General, Boutros Boutros-Ghali, who at the beginning of the session dwelled on the UN's financial crisis and lamented the "sad news" that member states no longer regard the UN as a priority. No one advocated closing the UN and everyone credited it with keeping humanity free of global war since 1945.

But how genuine is the reaffirmation expressed by the leaders and how quickly they will be able to agree on improved financing and internal reforms, including the expansion of membership of the Security Council, remains to be seen. Neither the declaration nor any but a very few of the leaders' speeches offered any signposts for the way forward.

Some leaders voiced scepticism about the prospects. In a speech otherwise devoted to peace in his country, the Bosnian President, Alija Izetbegovic, concluded with this thought on all of the "nice and noble words" delivered from the podium: "One of the ancient holy scriptures says: 'Judge them according to what they are saying, but let us ask them what they are doing. As soon as they return home, unfortunately, they will continue their course. It is up to us to stop them'".

Mr Boutros-Ghali has nailed his standard to an emergency session of the UN's General As-

sembly early next year to reach some decisions. He was supported by John Major. A decision on whether to call such a session, which UN officials believe would help concentrate minds on resolving some of the issues, can be expected in the next few weeks.

Unquestionably most pressing is ending the financial crisis, which means extracting the some \$1.3bn (£0.8bn) in unpaid dues from the United States, equivalent to more than the UN's regular budget for one year. This is not an exorbitant sum - less than what it costs to run the New York Police Department for 12 months - but such is the belligerence towards the UN in the US Congress that the prospect of Mr Boutros-Ghali ever seeing it remains dim.

Mr Clinton in his speech laid out a bargain: Deliver the reforms - slimming down the bureaucracy, reducing the share that the US is expected to pay into UN coffers, cutting back on the number of UN agencies and scaling back peace-keeping - and I will prevail on Congress. It is not certain whether even then he could do such a thing. Many member states will demand that the deal be reversed: Give us the money, Washington, then we will reform.

Peace-keeping costs, which have exploded in recent years as the UN has been deployed to trouble spots worldwide such as Bosnia and Somalia, are already falling. Nato is taking over in the former Yugoslavia, the mandate in Rwanda is likely to expire at the year's end and the only countries left with an important UN presence will be Cyprus and Angola.

Britain and other industrial nations, meanwhile, agree that many UN agencies, including the Food and Agriculture Organisation, the International Labour Organisation and even Unesco, the Education, Scientific and Cultural Organisation in Paris, should be closed or consolidated.

Killing these bodies, which provide nice jobs for foreign civil servants, will be resisted by many, however. Meanwhile, efforts to agree on who exactly should get new seats on the Security Council - Pakistan or India; Brazil or Argentina - have been mired already for months.



Voice of protest: A Tibetan chants during a demonstration outside the UN yesterday. Photograph: Kathy Willens/AP

China raps US for 'interfering'

New York — President Jiang Zemin of China yesterday delivered a sharp and barely disguised jab in the direction of the United States, criticising "big powers" that seek to interfere in the internal affairs of other countries, writes David Usborne.

Speaking at the fiftieth anniversary celebration of the United Nations only hours before summit talks with President Bill Clinton in New York last night, Mr Jiang also forcefully reaffirmed Peking's claim that Taiwan remains part of mainland China.

Relations between the US and China took a sharp downturn last spring when Mr Clinton allowed the Taiwanese President, Lee Teng-hui, to make a private visit to the US.

Strains have also arisen because of China's treatment of dissidents, including Harry Wu, an American citizen who was convicted of spying and stealing state secrets before being deported in August.

"The peaceful reunification of the two sides of the Taiwan straits is the unshakable will and determination of the entire Chinese people," Mr Jiang declared. In an American television interview this week, the President repeated that "one cannot rule out the military option" against Taiwan.

But in remarks that appeared directed at the US and its efforts in the past to link trade issues with progress on human rights in China, Mr Jiang remarked: "Certain big powers, often under the cover of 'freedom',

'democracy' and 'human rights', set out to encroach upon the sovereignty of other countries, interfere in their internal affairs and undermine their national unity and ethnic harmony. This has become a principal cause for the intransigence in the world today."

Many passages in Mr Jiang's speech were unlikely to sit well with those seeking freedom for Tibet, including a group of Tibetan nationalists who have been staging a hunger strike outside the UN building for the past week. Mr Jiang sought to condemn governments that "deliberately ignore the colourful and diverse reality of the world and practise such hegemonic acts as imposing one's social system" on other nations. With expectations low for

the Jiang-Clinton meeting, even the arrangements for it were fraught with difficulties. The White House refused an original request for a full-blown state reception in Washington for the Chinese leader, and suggested a lunch meeting on the fringes of the UN special session.

Finally the two sides agreed to meet yesterday in the New York Public Library. Then the venue had to be changed at the last moment to the Lincoln Center after Chinese officials found out that exhibits at the library included a handbill produced by Chinese students during the 1989 Tiananmen Square protests. It would be unacceptable for Mr Jiang, they decided, to grace the building with such material inside.

IN BRIEF

Ross Perot stakes his claim

Sacramento — Hours ahead of the deadline, Ross Perot said his supporters had submitted Reform Party registrations for 95,000 people, enough to put the new party on California's 1996 presidential ballot. "We know it's done," the Texas billionaire said. A tally of registrations will not be known until 13 November. AP

US set to move embassy to Jerusalem

Washington — Key senators reached agreement on a bill requiring the US embassy in Israel to be moved to Jerusalem no later than 31 May, 1999. But Senate Republican leader, Bob Dole, and other sponsors of the bill agreed to allow President Bill Clinton to waive the move for a certain period on the grounds of US national security interests. Reuters

French police detain 13 'Muslim bombers'

Paris — French police detained 13 people in raids on suspected Muslim extremists in Paris and its suburb of Corbeil-Essonnes. The swoop was instigated by an investigating judge, Laurence Le Vert, who on Monday ordered two French men of North African origin to be jailed on suspicion of links to the Armed Islamic Group, an Algerian extremist organisation blamed for a wave of bombings in France. Reuters

Bosnian Serb war crimes trial postponed

The Hague — The first international war crimes trial since Nuremberg was postponed until next year after lawyers for Dusan Tadic, the Bosnian Serb defendant, said they needed more time and money to mount a proper defence. Michail Wladimiroff, representing Mr Tadic, who is accused of murder, rape and torture at the Omarska camp in north-west Bosnia, said the defence faced enormous problems in contacting key witnesses, many of whom live in war-torn areas, and would be unable to come to The Hague before next May. Reuters

Breathing space for Chirac

Paris — The state prosecutor will postpone a decision on whether to prosecute President Jacques Chirac over a rented flat pending a ruling on the issue by an administrative court. The court is due to decide next month whether to authorise a separate request to sue Mr Chirac for compensation over the purchase of his rented flat by a company partly owned by the city of Paris when he was the mayor. Reuters

North Korean 'spies' fire on police

Seoul — Two men described as North Korean spies exchanged gunfire with South Korean forces in the central town of Puyo. A police officer was killed and one of the alleged infiltrators was captured after being shot in the leg. The other fled into nearby hills, pursued by thousands of troops supported by helicopters and sniffer dogs. Reuters

Kingcard is a credit to Heartbreak Hotel

Memphis — Fans of the "King" can now check out of Heartbreak Hotel using the new Elvis Presley credit card. The only credit card officially approved by the estate of the late superstar features three images of Elvis from a 1968 television special and his 1969 Las Vegas engagement. Reuters



Yasser's baby: Soha Arafat, wife of the PLO leader, shows off her daughter, Zahwa, in Gaza city during the UN fiftieth birthday celebrations. Photograph: AP

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Hard instinct: Klaus Riechert, a farmer from a village near Hamburg, walks his geese on a dike by the Elbe to keep them in shape. Most will end as roasts on St Martin's Day (11 November) or at Christmas. Photograph: AP

Santer backs down over French tests

SARAH HELM
Strasbourg

In a remarkable retreat on two fronts, the European Commission and the European Parliament yesterday backed away from a confrontation with France over the issue of French nuclear tests.

Jacques Santer, President of the Commission, told the Parliament in Strasbourg that in the light of new information from Paris, the Commission believed that the tests were not dangerous and that there was no reason to take legal action under the Euratom Treaty.

After addressing the Parliament for less than 10 minutes, Mr Santer announced with confidence: "The tests in French Polynesia do not present any perceptible risk of significant exposure [to radiation] for the workers or the population."

Mr Santer's statement came hours after President Jacques Chirac said in New York that France will carry out six, instead of eight, nuclear tests. There appeared to be little doubt in Strasbourg yesterday that Mr Chirac's decision to reduce the number of tests was linked to an understanding with Brussels that Mr Santer would persuade the Commission to back away from legal action.

The Parliament, which had demanded action from Mr Santer to stop the tests, yesterday appeared suddenly willing to accept the Commission's decision, and dropped threats to censure the Commission for failing to take Paris to task. Pauline Green, leader of the Socialist group, asked what reason there was to believe the French data. She said the Parliament had not been shown the new information handed to the Commission. Last night, MEPs met to consider their position, but there appeared to be little stomach for

a fight. Only the Greens voiced outrage, accusing the Commission of evading responsibility and lacking credibility.

Yesterday's decisions represent a victory for Mr Chirac, who has seen off the threat of embarrassing legal action in the European Court of Justice.

Taking a stance which can only encourage Britain, a powerful member state has shown two European institutions that it cannot be pushed around. French lobbying has been intense, and France's two commissioners have fought hard against any legal challenge.

For the anti-nuclear lobby, the outcome was a serious defeat. And for the two European institutions, the episode has almost certainly caused lasting damage. What the public will remember about the nuclear test

row is weeks of posturing in Brussels and Strasbourg. Given the short and superficial nature of Mr Santer's presentation, there is little reason to believe public doubts about the tests will have been eased.

Mr Santer made no attempt to explain why the new information produced by Paris after two tests have been carried out already might be wholly reliable.

"We have no reason to believe the Commission's evaluation of risk, based solely on information provided by the very French authorities who are carrying out the tests and who have systematically covered up relevant data for years," said Undine von Blottnitz, a Green spokeswoman.

Mr Santer avoided criticising France for failing to provide the information to the Commission

before the first two tests. Article 24 of the Euratom Treaty says that in the case of a "particularly dangerous experiment", the Commission ought to give an opinion on health and safety before the experiment begins.

The Commission's climb-down appears in the end to have been brought about as much by political considerations and by the incompetence of its staff as by an analysis of the data.

Mr Santer did not want to force a confrontation with France at a time when many important political negotiations are under way. At the same time, according to several Commission sources, it was the incompetence of Ritt Bjerregaard, the Environment Commissioner, which made it difficult for the Commission to present its case.

Brussels puts Dane in doghouse



Bjerregaard: Author of a spicy new book

Ms Bjerregaard, the European Union's eccentric Danish Environment Commissioner, yesterday lost her campaign to end French nuclear tests, she was scorned in the Parliament, ridiculed in the press and patronised by the President of the Commission, Jacques Santer.

Ms Bjerregaard could have consoled herself that her spicy new book - *The Commissioner's Diary* - might now become a bestseller in Brussels. But she also learned yesterday that she will see none of the money. "I have heard from President Santer that there are rules that one may not receive fees. I intend to follow them," she said at a press conference in Strasbourg.

The *Commissioner's Diary* reveals details of Ms Bjerregaard's private meetings with European leaders. It accuses President Jacques Chirac of trying to be a "strong man". Other commissioners are sniped at, details of discussions revealed. Ms Bjerregaard, however, cannot be sacked - except by an action for breach of duty in the European Court.

News that the book is about

to be published could not have come at a worse time for Ms Bjerregaard - or the anti-nuclear campaign. The environment commissioner has been lobbying Mr Santer to take stronger action against France over nuclear tests. She promised Parliament she would campaign for an end to the tests. Mr Santer, who was against taking action, has been trying to pull Ms Bjerregaard into line. Already under attack for presenting a poorly argued case, this further undermined her credibility.

When Mr Santer told Parliament yesterday that France was off the hook, Ms Bjerregaard was obliged to watch in silence. At the press conference she had to sit beside Mr Santer like a naughty schoolgirl. The press were not interested in her anti-nuclear campaign. They wanted to know only what secrets she would publish in the next serialised episode of her book.

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Vendetta fear halts UK convoys

RUPERT CORNWELL
Washington
and REUTER

British aid convoys in central Bosnia have been suspended because it is feared that foreign Islamic fighters are hunting down Britons, a United Nations refugee official said yesterday.

The move followed an incident on Sunday when two Norwegian aid workers were held up at gunpoint by two men and threatened with execution.

The men let the Norwegians go when they discovered that they were not British, said Kris Janowski, spokesman for the United Nations High Commissioner for Refugees (UNHCR) in Sarajevo.

One of the gunmen spoke Arabic and UN officials believe that he may be a mujahedin fighter - a volunteer from an Islamic country who joined the Muslim-led government's fight against Serb separatists.

The UN has linked the incident to the killing of a mujahedin fighter by a British UN soldier two weeks ago.

The soldier was guarding an armoured troop carrier during a reconnaissance patrol near Bugojno and opened fire when he believed that the man was about to shoot him, a UN spokesman said.

"They seem to have been looking for Britons. They may be carrying a grudge. It is alarming," Mr Janowski said.

A protest had been filed with the government, he added. The convoys affected are those to the government enclave of Tuzla. Mr Janowski said he expected them to start again in the next few days.

The reports underscore the continuing dangers a week before the Bosnia peace talks open in Ohio.

President Alija Izetbegovic yesterday raised the stakes by insisting that his Muslim-led government was winning the war, and that he would not accept the division of his country "in whatever packaging it may be served".

He told the UN that partition would simply lead to a restart of the fighting.

And if the talks were successful, he demanded that the international community deny reconstruction assistance to any party which refused to respect human rights.

The Bosnian leader was speaking as he and President Franjo Tudjman of Croatia prepared to meet President Bill Clinton in a last round of bilateral summit before the two leaders join President Slobodan Milosevic of Serbia for negotiations at an air base in Dayton.

There are also growing signs of difficulties in organising the Nato-led force that will police any deal.

Tomorrow the United States and Russian defence ministers meet at the Pentagon to work out a formula for Russia to take part in the force, following the failure of Mr Clinton and President Boris Yeltsin to do so at their brief summit near New York on Monday.

No less troublesome for Mr Clinton is mounting congressional and public unease over plans to send 20,000 US troops to Bosnia to help police a settlement. A poll conducted for the USA Today newspaper indicated a narrow 50-44 margin in favour of US participation.

But that figure turns into a two-to-one majority against the assumption that the force will take some casualties. Overwhelmingly the public believes that Mr Clinton should secure approval from Congress before sending soldiers, something the White House says it is not bound to do.

The Republican-dominated Congress continues to demonstrate a desire to push into the domain of foreign policy.

Yesterday Mr Clinton rejected a suggestion by the Republican Bob Dole, the Senate majority leader, that President Milosevic should be barred from the peace talks, saying that it would undermine the peace process.

Senator Dole suggested last week that the United States should not grant a visa to Mr Milosevic for next week's talks, accusing him of being "the mastermind of ethnic cleansing" in Bosnia.

Subdued Tapie begins last-ditch appeal

MARY DEJEVSKY
Paris

Bernard Tapie, the former football club chairman and politician whose name was a byword for the fast-talking, fast-living France of the Eighties, embarked yesterday on a last-ditch attempt to save himself from the prison sentence that has longed seemed his destiny.

Thinner than before and uncharacteristically restrained, he arrived early at the courthouse in Douai to start his appeal against conviction for fixing a football match.

In May, Tapie was found guilty of organising payments to two players from the Valenciennes football club to ensure victory for his own team, Olympique Marseille, in a crucial tie. After a high-profile trial, during which he suffered betrayal by a former Marseille colleague, Jean-Pierre Vernès,

Tapie was found guilty and sentenced to two years in prison, one to be suspended.

His appeal relies on a new version of events, according to which he admits for the first time meeting the Valenciennes trainer, but denies instigating any payments. Last week, Tapie threatened legal proceedings over a report in the sports newspaper, *L'Equipe*, which said that Olympique Marseille under his chairmanship was a

money-laundering machine.

The threatened prison sentence seemed to take away some of his flamboyance and he has adopted a low-key approach to his appeal. But scepticism has been expressed about his new image. Some even questioned whether a hospital stay last week might not have been intended to save him from prison on health grounds. In a newspaper interview, Tapie said prison "terrified" him.

DFW X2

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international

WASHINGTON DAYS

Bigger is better in the land where fat is a felonious issue

Spare a thought for Arthur Younkin, jailed this month for being too fat. Mr Younkin, a convicted cheque-forger, had been ordered by a court in Wichita, Kansas, to pay \$11,000 (nearly £7,000) in restitution, but said his 36-stone weight made it impossible for him to find a job and earn the money. Fine, said the judge, Mr Younkin could go on probation - on condition he lost weight. Alas, he was sighted once too often around town indulging in doughnuts, pizza and french fries. He was weighed in the scales of justice and found wanting. Instead of slimming down, he had added 20lb. The law would have no mercy, and this time Mr Younkin was given Kansas' maximum term for violating a probation agreement, three months in jail.

His lawyers are appealing, on the grounds that weight and diet are personal matters which are not for a court to decide, and that therefore Mr Younkin's spell behind bars is "cruel and unusual punishment" in breach of the eighth amendment of the Constitution. More to the point, though, if obesity were a prison offence, America's overcrowded jails would long since have come apart at the seams.

For once the evidence of my own eyes and government statistics agree. Americans are getting fatter and fatter. A third of adults are overweight, and according to a new federal survey, 11 per cent of all children are too - more than double the proportion 25 years ago. Taking their cue from their parents, children too exercise less, spend more time in front of the TV or computers and eat too much. And who is to blame them? The hardest thing to find in this country is a modest snack.

Take the American "sandwich", not to be confused with the dainty European concoction of the same name. A sandwich here is a monument to America's love for bigness - so thick you cannot get your mouth around it without sending part of the contents into your lap. Beg the man behind the deli bar to go easy on the filling and he looks at you as if you were some wimpy little child. But sandwiches have nothing on the fast food industry, which spends \$36bn (£22.8bn) a year on advertising ever vaster servings to an ever more corpulent population.

An item in the *Washington Post* last week provided some astonishing facts. Remember the curvy old bottle of Coca-Cola? It contained six and a half fluid ounces. The latest monstrosity from the 7-11 grocery chain is the Double Gulp, offering nearly 10 times as much, 64 ounces of coke, equivalent to 800 calories. The diameter of regular pizzas creeps steadily higher, now at around 12 inches. But nothing quite matches the 3lb porterhouse steaks offered by Morton's Steakhouse of Chicago. The Morton's in Washington claims to sell five to 10 a night, and everything gets eaten.

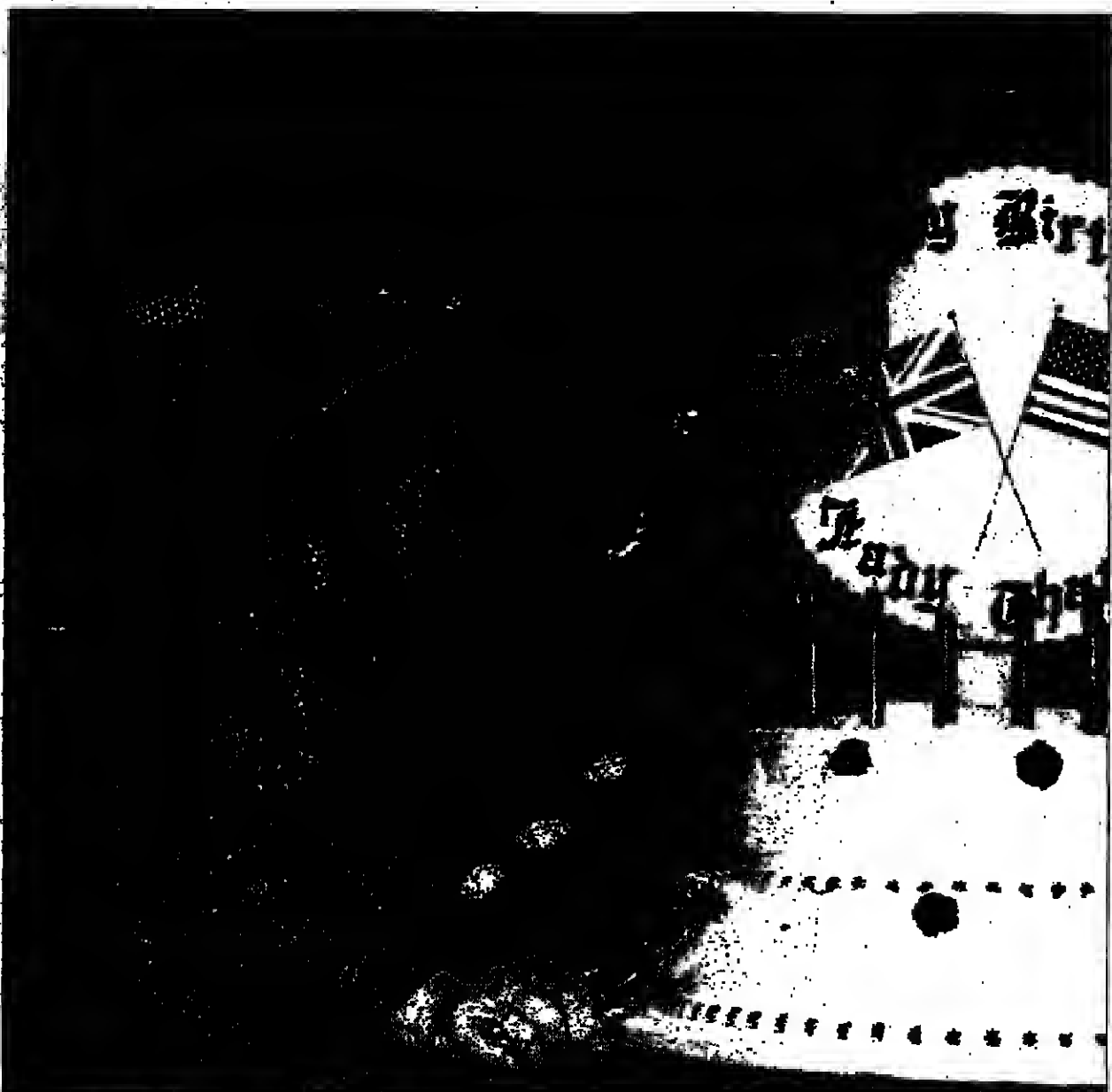
The reason for the onward march of excess is said to be the concept of "value". But instead of offering more for the same price, why not the same for less?

And the problem reaches the summit of the state. True, George Bush famously loathed broccoli, but even so was as thin as a rake. Not so the 42nd President. "We do fibres and stuff," Hillary Clinton once said in reply to a question about the family's eating habits, and for formal entertaining she has replaced high caloric classical French with trendy Californian. But husband Bill, as he is the first to admit, seldom fails to warm to a pile of junk food.

So what happened to the get fit and slim craze? It was always strictly a middle- and upper-class phenomenon. Once upon a time when only the wealthy could afford a full plate, being fat meant being rich. The poor as a rule were thin. In today's US, it is the other way round. And even the stigma of obesity is fading. One poll has found that only 36 per cent of people feel that fat is unattractive. A decade ago, the figure was 55 per cent.

No one of which answers Mr Younkin's problem: how to earn the money to pay off his debt. Apparently a New Jersey freak show offered him a job - but on condition he gained 200lb and signed a five-year contract. Even Mr Younkin's weakness for doughnuts didn't stretch to that.

RUPERT CORNWELL



Back in the limelight: Lady Thatcher blowing out candles on a belated birthday cake Photograph: Mike Theiler/Reuters

US right toasts Thatcher's 70th

RUPERT CORNWELL
Washington

What with Irish-American pickets across the street yelling "Thatcher murderer", flashlights popping and a mix of celebrities that included the US Speaker Newt Gingrich, Nancy Reagan and Barbara Walters, she might still have been the resident of Number 10. In fact it was just a belated 70th birthday thrash - but as far as the American right is concerned, Margaret Thatcher was, is, and will forever be Prime Minister. In Britain these days, only by saving her successor John Major can she gain attention; in the United States, her very presence sets conservative hearts a-tremble. And so it was at Union Station here on Monday night.

Six hundred guests came to pay their devotions, paying \$1,000 (£600) a plate and \$15,000 a table for the privilege of being in the same room as the co-slayer of the Evil Empire. The Philip Morris tobacco group, "proud sponsors of this event", reportedly produced another \$1m, leaving the US-based Margaret Thatcher Foundation ahead on the night by \$2m or more.

But most of all they wanted to hear the Iron Lady, and through her to reach out to Ronald Reagan, her partner in doctrine and deeds, patron saint of the New Republican Revolution, but now largely confined by Alzheimer's disease to his home in California. "Reagan and Thatcher", gushed Barbara Walters, are "names linked together for ever, like Rogers and Astaire." There was even a statue of them under construction in Tirana, Albania, Ms Walters said, named simply "The Liberators".

Decked out in jewels and red chiffon, Nancy paid tribute from both the Reagans. "Dear Margaret", she said, "you have been so much to us in so many ways. You were and are America's finest friend. Ronnie and I will cherish your friendship always."

As she ended her speech, the 40th President appeared to make a toast in huge images flashed on two video screens on either side of the podium.

Mrs Thatcher replied in kind, describing the former president as "the second most important man", and speaking of her pride at being the smaller half of the Reagan-Thatcher relationship. It was "his decision to call the Soviet Union by its proper name, the evil empire," that helped "bring that evil empire crashing down".

And so the evening ended, drenched in nostalgia, a cross between the Lord Mayor's banquet and Oscars night in Hollywood. There was a musical interlude too, a medley of hits from Tim Rice and Andrew Lloyd Webber, the barons of the Thatcher era. Naturally, they played *Memory*, but not *Don't Cry For Me, Argentina*. Even nostalgia has its limits.

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Chirac promises to recognise Quebec

HUGH WINSOR
Ottawa

The Canadian Foreign Minister, Andre Ouellet, tried to play down the importance of a promise by President Jacques Chirac that France would recognise an independent Quebec if separatists gain a victory in next Monday's referendum. Speaking to reporters after a meeting of the Cabinet yesterday, Mr Ouellet said he did not think Mr Chirac's comments during an interview in New York with CNN would have much impact on the campaign. "I think obviously some people in Quebec would like to see this as a major endorsement," he said. "If you look at what he said, it's not a major endorsement at all."

Questioned about the French President's timing, Mr Ouellet pointed out that Mr Chirac was only responding to a hypothetical question from a caller to CNN. "He said he would recognise a fact. And everyone would recognise the fact [if the separatists won]. It would change diplomatic relations."

Separatist leaders in Quebec were quick to pounce on the Mr Chirac's comment. The Bloc Quebecois leader, Lucien Bouchard, said that by confirming a commitment Mr Chirac had made to him a year ago, when the Quebec leader had visited Paris, he was supporting the separatists' argument that Quebec can survive as an independent country.

President Chirac told the interviewer that France would respect the outcome of the referendum vote but would not interfere in the referendum campaign. Mr Chirac had also given the Canadian Prime Minister, Jean Chretien, an assurance that France would not meddle in the referendum when he attended the G-7 Summit in Halifax in June.

This is in contrast to France's position during the 1980 referendum campaign, when French agents were active in promoting Quebecers' dissent.

Mr Chirac's earlier promise to Mr Bouchard was made while he was still only the mayor of Paris. The Bloc Quebecois leader had visited France seeking commitments because international recognition would be a crucial for a nascent independent Quebec.

Mr Bouchard also visited Washington but had a frosty reception. While saying formally that Quebec's future is for Quebecers to decide, US officials, including President Bill Clinton, have made it clear they wish Canada to be stable and united. Last week, the Secretary of State, Warren Christopher, went a step further, saying that Quebec would have a tough time negotiating trade deals.

For an independent Quebec, French recognition would have an important moral impact. But the separatists' first priority for formal recognition is the US. It will also be crucial for Quebec's industries to gain access to the North American Free Trade Agreement, an admission that the US and Canadian governments have said will not be automatic.

Quebec has also said it will apply to the World Trading Organisation and that it would like to become a partner in both Nato and Norad, the North America Air Defence pact.

Financial markets have continued to react to polls that place the "Yes" side with a narrow lead over the federalist side. On Monday, the Canadian dollar had lost a full cent against the US dollar, though yesterday the drop had slowed, levelling out at about 72.86 cents.

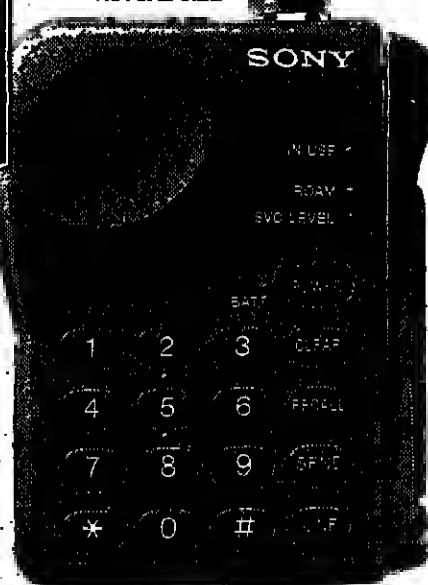
Three new polls will be released later this week which could also have an impact, especially on what are considered to be strategic voters who want to give Quebec a strong bargaining position with the rest of Canada but who do not want to separate.

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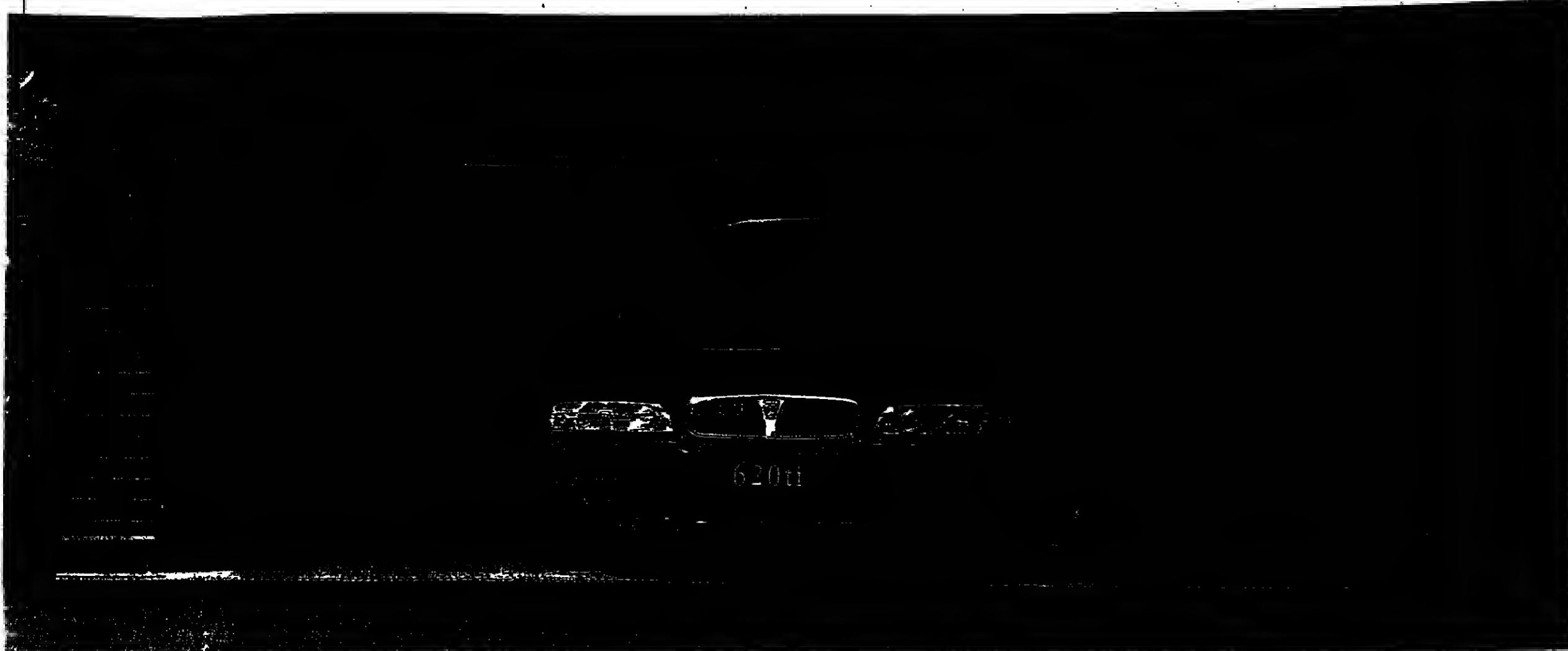
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As final proof, we'll conclude with two more road testers' gems from the 620ti's press-cuttings file.

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ABOVE ALL, IT'S A ROVER

Violence
forces NZ
to scrap
Waitangi
ceremony

BYRON BARBER
Sydney

The New Zealand government has agreed to scrap the Waitangi ceremony, a public event which commemorates the signing of the 1840 Treaty of Waitangi. The ceremony, which is held annually in the town of Waitangi, is a major event in the New Zealand calendar. It is a time when the government and the Maori people come together to celebrate the signing of the treaty. The government has agreed to scrap the ceremony because it is too expensive and because it is not a national event. The government has agreed to scrap the ceremony because it is too expensive and because it is not a national event.

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Violence forces NZ to scrap Waitangi ceremony

DAVID BARBER
Wellington

The New Zealand government yesterday scrapped the annual national-day celebrations at Waitangi after violent demonstrations by Maori extremists this year. The 6 February celebration, a public holiday, is supposed to mark the coming together of Maoris and Europeans, who signed the Treaty of Waitangi, the nation's founding document, in 1840.

Chiefs of 46 Maori tribes signed the treaty, which ceded sovereignty to Queen Victoria in return for guaranteed "full, exclusive and undisturbed" possession of their lands. In recent years militant Maoris, campaigning under the slogan "The treaty is a fraud", have mounted increasingly angry protests at Waitangi Day celebrations, demanding return of land confiscated over the past 150 years.

In 1990 a demonstrator threw a black T-shirt at the Queen, who was attending the celebrations during a royal tour. At this year's ceremonies protesters tried to set fire to the Treaty House, the country's most historic building, spat at the Governor-General, Dame Catherine Tizard, and trampled the New Zealand flag. The celebrations were terminated



Maori anger: A warrior, Tame Iti, spitting at officials during this year's Waitangi ceremony

Photograph: Reuters

when protesters ran up a Maori independence flag and police told the Prime Minister, Jim Bolger, they could not guarantee his safety.

Yesterday the Deputy Prime Minister, Doo McKinnon, said next year's celebrations would be held under strict security at Government House in Wellington and be barred to protesters. The announcement drew

claims that the government had caved in to Maori radicals. "The government has shown gutlessness and has surrendered to a few spitting, flag-stomping thugs at Waitangi by shifting the ceremony to the security of the Governor-General's mansion," said Mike Moore, a former Labour prime minister.

A Maori MP, Tau Henare,

said: "The event has mana, the event has spirituality. The treaty was signed at Waitangi. Waitangi Day should be at Waitangi." Pita Pamone, of the Tai Tokerau tribe, which hosts the Waitangi celebrations, said the tribe wanted government representatives there in February so that it could apologise for this year's demonstrations. "I thought the government would

have the steel to return, what with its ongoing talk of partnership with the Maoris."

The announcement came 10 days before the Queen, who arrives in here on Monday, is due to sign legislation giving land and cash compensation to the Tainui tribe for land confiscated by the Crown in 1865. The Bill includes, for the first time, a formal apology to Maoris.

Menem sees UK visit as step closer to Falklands goal

PHIL DAVIDSON
Latin America Correspondent

The meeting between John Major and the Argentine President, Carlos Menem, on the fringes of the United Nations New York birthday party, has been billed in Buenos Aires as a giant leap and a "breakthrough" for Mr Menem.

Not only did he get his long-time wish - an invitation, though hardly a heavy one, and deliberately imprecise, to visit London - but the President sees every step closer to Britain as a step closer to gaining the Falkland Islands peacefully.

"Menem's got his visa," said a headline in yesterday's daily *Page 12*. "Next year to London," said another paper, *Clarín*, which quoted Mr Menem as saying after the meeting that "we hope that some time in the not too distant future, sovereignty [over the islands] might be discussed."

"We always believe there are hidden agendas at the highest level," said an islander and former councillor, Terry Peck. "I don't think Major's a very strong character but there's no question in our minds that Menem's a shrewd operator, and [Argentine Foreign Minister Guido] di Tella likewise. They've played on our nerves for many years."

Mr Menem has asked Mr di Tella to "persuade" the Falklanders that Argentine sovereignty would be in their best interests, according to a government source in Buenos Aires. One idea would be for joint sovereignty "until the islanders get used to the idea and realise that we have their best interests at heart," the source said.

Another idea, publicly acknowledged by Mr Menem and Mr di Tella, is to offer the islanders "compensation", which was last estimated at \$500,000 (£310,000) per head for the 2,000 islanders, in return for accepting Argentine sovereignty. The Falklanders have rejected the idea.

"Sovereignty is not negotiable," Mr Peck said. "I'd never, ever, support joint flags and I think I can speak for 90 per cent of islanders. There's no way people here would trust the

Argentines. But if there's oil in these waters, it's money that's going to talk. When oil is involved, 2,000 people don't count for one iota."

Mr Menem has been pushing aggressively for closer ties with Britain this year, particularly since his re-election to a second term in May. As far back as February, the daily *Clarín* said British Gas officials were pressuring Mr Major to invite Mr Menem to London.

The newspaper said that British Gas and the Argentine national oil company, YPF, had reached a "verbal" agreement on oil exploration in Falklands waters. Confirming the deal, Mr Menem said that "this delivers enormous possibilities and advances to Argentina in the conflict for the Malvinas [Falklands]." London and Buenos Aires played down the oil deal report at the time, but in September the two governments signed an agreement for oil prospecting and exploration.

British diplomats said that Mr Major and Mr Menem had agreed also that experts from both countries should reach an agreement on regulating squid catches in the waters between the Falklands and Argentina. An initial meeting would be held in Buenos Aires next month, they said.

Aum cult doctor admits making sarin nerve gas

RICHARD LLOYD PARRY
Tokyo

Thousands of people, including several hundred journalists, gathered outside a Tokyo court yesterday as the first defendant in the subway nerve gas attack went on trial for murder. Tomomasa Nakagawa, a senior member of the Aum Shinri Kyo doomsday cult, admitted manufacturing the type of sarin nerve gas used in the attack.

The central trial, that of the Aum guru, Shoko Asahara, which is due to begin tomorrow, was thrown into doubt earlier in the week after his lawyer, Shoji Yokoyama, was involved in a car accident. Although he suffered only minor injuries, Mr Yokoyama was ordered to spend two weeks in bed, provoking suspicions that the cult was trying to delay the trial. However, court officials confirmed the lawyer will attend, and that the most sensational trial in Japan's recent history will go ahead.

Several Aum members have already been sentenced on lesser indictments but yesterday's charges against Dr Nakagawa, Asahara's personal doctor, were the first to touch directly on the sarin killings. For the first time, prosecutors described in detail the events leading to the attack, which killed 11 people and injured thousands of others on 20 March.

Dr Nakagawa, 32, pleaded not guilty to murder and attempted murder, but admitted manufacturing the deadly gas at the personal request of his leader and former patient, "Asahara ordered the production of sarin in mid-March," he told the Tokyo District Court. "It is not incorrect to say that I produced the sarin, and sealed the liquid in plastic bags. I knew sarin was a dangerous chemical, but I was not aware of any conspiracy to release it."

Asahara tried to plunge the central part of Tokyo into "utter turmoil" to head off police raids, the prosecutor, Tadahiko

Miyazaki, told the three judges. The attack was aimed at police investigating the disappearance of a Tokyo man believed to have been abducted by Aum in February. The cult learned of police plans to raid its commune on the slopes of Mt Fuji, and on the night of 19 March a team lead by Dr Nakagawa produced the liquid sarin in the laboratories.

Five kilograms were sealed into polythene bags which were carried onto subway trains the following morning. As the trains converged on Kasumigaseki station, yards from the National Police Agency, government ministries and the Tokyo District Court, the bags were pierced with sharpened umbrellas.

Dr Nakagawa admitted strangling an Aum follower who was accused of treachery by Asahara, but said that he did so to release him from agony, when he was on the verge of death. Like Asahara, he faces the death penalty if convicted, although the trial could last two years.

Sex-change boy can be a male

Bogota (Reuters) - A Colombian boy who underwent a sex change operation to become a female without his consent when he was seven years old has won the right to be identified as a male, judicial sources said yesterday.

The boy, now aged 14, underwent the sex change and was treated with female hormones at the request of his parents in April 1987, six-and-a-half years after a dog destroyed his genitals. He rebelled against the idea of being changed into a woman, however, and filed a suit last year demanding that he be entitled to choose his own sexual identity and rid himself of the girl's name his parents gave him.

The Constitutional Court ruled in the boy's favour on Monday and ordered that the Colombian Institute of Family Welfare assist him in any way possible to overcome his emasculation and identity crisis. There was no word on whether doctors would seek to reverse the effects of the hormone treatment the boy received or close the artificial vagina surgically created for him.

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obituaries / gazette

Phil Sidey

As the Head of the BBC Network Production Centre at Birmingham, Phil Sidey was the man who converted Pebble Mill from a structural white elephant into a thriving source of daytime television. He was the first manager of Radio Leeds and played a leading role in establishing lively local broadcasting on a financial shoestring. He was a programme innovator with a spate of lively ideas and an abrasive tongue which tended to upset some of his colleagues. He was also an accomplished public speaker and a successful chairman of the Royal Television Society.

Sidey's first experience of broadcasting was in Austria immediately after the Second World War. As a sergeant in the Royal Artillery he was in charge of the Army Broadcasting Station at Kagenfurt for three years. He then had a variety of journalistic posts including three years with the Associated Press before joining the BBC's External News Service as a sub-editor in 1956. In 1963 he transferred to Television News, becoming a Duty Editor in 1964.

In 1966 Harold Wilson's Labour government decided to inaugurate eight experimental local radio stations. They were only broadcast on VHF and their meagre annual revenue of £50,000 for each station had to cover staff salaries and all programme expenses. That sum was not to be a charge on either the BBC licence income or the rates. It had to be found from other local sources.

In 1967 Sidey was selected to manage the new local radio station at Leeds. His application was a surprise, for many thought that he had abandoned radio for television, and he had no connections with the north of England. But he was ambitious to run his own operation and he feared he had made too many enemies in television news ever to reach its top position.

Sidey had a great flair for publicity. In order to get the name of the experimental station regularly mentioned in the local press, he bought a greyhound and named it Radio Leeds. *24 Hours*, the television magazine of which Sidey had been the news producer before moving to Leeds, sent a camera team to make a sequence about the programmes he planned to introduce. One was a record review show called *Bring-a-Disc* in which, because his library was limited, listeners had to bring their own records to be played. Sidey was filmed outside the door of Radio Leeds urging passers-by to come in with their favourite discs. The film was shown on the day the station opened in June 1968.

Sidey recruited a team of Yorkshire journalists to provide a valuable service of local news. The naïve idea of the Government that provincial newspapers would gladly provide the new

experimental radio stations with copies of the local news they had gathered for their own use had soon evaporated.

One of his innovations was *The Only BBC Programme the Money Can Buy*. Listeners would telephone the studio and demand a favour, promising in exchange to pay a sum of money to any charity of their choice. This worried the authorities in Broadcasting House, who feared it might upset the central scheme that ensured fairness among charity appeals. Another was *Teenage Week*, presented entirely by schoolchildren, which caused Sidey to be dubbed "Fagin" and accused of exploiting cheap child labour.

In 1969 Sidey wrote a memorable article for the *New Statesman*, then influential with Harold Wilson's government, on making community radio effective. Frank Gillard, the former managing director of BBC Radio, said that Sidey's points convinced the entire Labour hierarchy of the success of the BBC's local radio experiment.

In a lively book, *Hello, Mrs Butterfield*, published last year, Sidey also told the story of Radio Leeds. He described in detail the work of creating cheap local radio. "The rediscovery of radio and the inflation of new communication ideas on to the city of Leeds," he declared, "was surrounded by so much good-humour and lively, not to say outrageous, behaviour, that the station soon became dubbed 'Radio Irreverent'."

Sidey's own lively, not to say outrageous, behaviour caused him trouble with the authorities at Broadcasting House on various occasions. After Radio Leeds he worked as the Deputy Editor of *Nationwide* until 1972, when he became Head of the Network Production Centre at Birmingham.

Sidey was a trifle, athletic man who loved walking along the Pennine Way. He was on a walking tour of the Peak District at the time of his death.

Leonard Miall
Philip John Sidey, broadcaster, born London 11 January 1926; staff, BBC External Service News 1956-60, Television News 1963-67; Station Manager, Radio Leeds 1967-70; Deputy Editor, Nationwide 1970-72; Head of Network Production Centre, Pebble Mill, Birmingham 1973-83; Chairman, Royal Television Society 1978-82; President, Birmingham Press Club 1979-81; author of Hello, Mrs Butterfield... 1994; married 1951 Daphne Finn (two sons, one daughter); died Castleton, Derbyshire 15 October 1995.

Deaths

BLACKBURN: On 21 October 1995, peacefully but suddenly in Kent and Canterbury Hospital, William Henry Blackburn, aged 77, of Ickham, formerly of Walton-upon-Thames. Beloved husband of the late Dhanlami Magabala Blackburn, much-loved father of Nigel and Jane and adored grandfather of Angus and William. A Service of Thanksgiving will be held at the Parish Church of St John, Ickham, near Canterbury, Kent, on Friday 27 October at 2pm. Donations, if desired, to Northbourne Ward, N. & C. Hospital, c/o J. Dilley Smith & Son, Funeral Directors, Beacon Lane, Woodnesborough, Kent.

HINGLEY: The Rev Bernadette Hingley, aged 47, on 20 October at St Mary's Hospice, Birmingham, after a long and courageous fight against cancer. Beloved wife of the Rev Robert Hingley and mother of Elizabeth and Catherine. Third daughter of Sir Paul Bryan and the late Betty Bryan and sister to Elizabeth and Felicity. Funeral Service at St Luke's Church, Bristol Street, Birmingham, on Wednesday 1 November at 12 noon. Donations to the Bernadette Hingley Trust (to assist women seeking respite care). Details from Wheeler and Sons (0121 440 1120). A service of thanksgiving will be held at All Saints Church, Brompton, near Saratoga, on Wednesday, at a later date.

Births, Marriages & Deaths

LANNON: Suddenly, on Saturday 21 October 1995, Sarah Helen, beloved wife of Lawrence Dickinson and darling mother of Alexandra and Sian, and a dearly loved daughter and sister. Service at St Mary's Church, Meriton Park, Wembley, on Friday 27 October at 12 noon. Flowers or donations, if preferred, to the National Children's Trust, c/o F.W. Paine, 35 Crown Lane, Morden, Surrey SM4 5BL. 0181-542 1214.

Announcements for Gazette: BIRTHS, MARRIAGES & DEATHS (Deaths, Adoptions, Marriages, Deaths, Memorial services, Weddings, Anniversaries, In Memoriam) should be sent in writing to the Gazette Editor, The Independent, 1 Canada Square, Canary Wharf, London E14 5DL, telephoned to 0171-293 2811 or faxed to 0171-293 2810, and are charged at £8.50 a line (VAT extra). OTHER: Gazette announcements (weddings, funerals, forthcoming marriages, marriages) must be submitted in writing (or faxed) and are charged at £10 a line (VAT extra). They should be accompanied by a daytime telephone number.

ROYAL ENGAGEMENTS
The Queen holds an occasion at Buckingham Palace and a service at St James's Palace in the Queen's Chapel in London (Queen's Chapel, 10.30am) and the University Chapel of York (York, 11.30am) on Wednesday, 25 October. The Prince of Wales will be at the University of Stirling, Stirling, Scotland, on Wednesday, 25 October, to receive the Stirling University Medal. The Prince of Wales will be at the University of Stirling, Stirling, Scotland, on Wednesday, 25 October, to receive the Stirling University Medal. The Prince of Wales will be at the University of Stirling, Stirling, Scotland, on Wednesday, 25 October, to receive the Stirling University Medal.

Changing of the Guard
The Changing of the Guard ceremony will take place at the Queen's Life Guard Barracks, Horse Guards, London, on Wednesday, 25 October, at 11.30am. The ceremony will be broadcast on television and radio.

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The bank manager is out – being replaced by an electronic service programmed to suit every lifestyle, says Nic Cicutti

Not so much a bank as a statement

More than 50 years after Britain's banks and building societies first started to cater for the vast mass of the population, rather than a relatively small minority, a revolution has slowly begun to take place.

Forget the bad old days, when visiting the bank manager, or even his spotty assistant, was like booking a hospital or a doctor's appointment. When time off work had to be specially arranged because the

bank closed at 3.30 in the afternoon. Or inquiring about an account meant endless delays at the till. An impatient queue snaking round the building. Saturday banking? Automatic cheque book and statement requests? Stopping cheques or paying bills instantly? Arranging a mortgage, taking out life insurance? Many of these services have increasingly become available over the past decade or so.

But the big transformation now taking place in banking lies not so much in the availability of a range of such services but in the speed and ease with which we now have access to them. The key to this transformation has been the telephone.

The phone takes the place of face-to-face conversations, of time-wasting innumerate treks to the local branch. The telephone empowers us.

In one swoop the phone has done away with all the miseries and complications of the old system. In just a few seconds we can be in touch with someone who, it seems, has the answers to all our problems.

Someone available day and night, yet constantly polite, reasonably chatty, helpful and impersonal. Banks, building societies, insurance companies – increasingly, everyone is leaping on board. Yesterday the Prudential, the UK's mightiest insurer, finally gave the phone its own seal of approval when

ment, the feeling that we could use the service if we wanted to, that prompts increasing numbers to opt for the additional potential of phone banking. Doing it by phone brings extra benefits to the customer, mainly in terms of cost savings. In the case of First Direct, the first and largest phone banking service, it means the first £250 of any overdraft does not incur any charges. Mortgages are at least 0.5 per cent cheaper than

with most other lenders. No other high street bank, with a large and expensive branch network to maintain, can compete with this. Meanwhile the traditional barriers between the various financial institutions are rapidly breaking down. It is possible to purchase travel insurance, mortgages, health insurance and travellers cheques, as well as traditional banking services, from a bank,

a building society or even an insurance company. Financial institutions have become all-encompassing in what they offer consumers. In part, this is the effect of competition. The convergence between the services offered by all these institutions means the phone has turned into the ultimate one-stop mechanism for all our financial needs.

Telephone banking does not have to be at the expense of the best bits of the old system. If one wants an old-style relationship with a bank branch, plus evening and weekend banking, it is now possible to mix the two, at least with Lloyds and Barclays.

But the momentum is with telephone banking. Anyone wanting to join the phone banking revolution has a growing range of accounts to choose from as more and more financial institutions feel obliged to get on the act. Spearheading the phone banking revolution until

now taking place in the financial services sector. Banks and building societies have been forced to come to terms with this change. There is even a "bank-speak" expression for it: delivery channels. As one Barclays manager argues: "We have come to realise that there is no one way that people want to be dealt with." Nor is there one way in which they want to be dealt with for the rest of their lives.

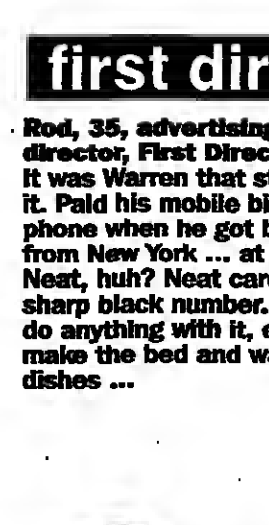
This may mean dealing with some transactions over the phone, but going in to see a manager or financial adviser on another subject. Banks are giving us the right to choose, with the telephone as one of the mechanisms for doing so. Perhaps, if there is one benefit from telephone banking it is that one word – choice. For many of us, it has been an agonisingly long wait.



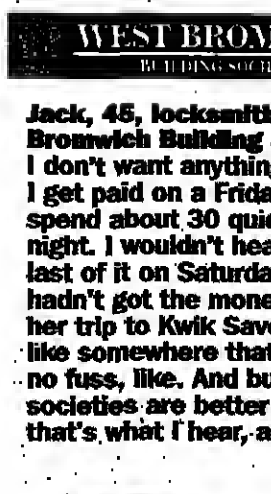
Coutts & Co
Rupert, 44, stockbroker, Coutts & Co. Before I married Jimma, her father-in-law gave me a word of advice. Judge a book by its cover, he said. Coutts looks as smart as the service it offers. It's good enough for the Royal Family after all. Mind you, you have to be £3,000 in credit to qualify.



NatWest
Belinda, 35, social worker, NatWest. I don't have time to worry about my money: there's not enough of it, for a start. I was put off Barclays as a student because they were investing in South Africa. Sometimes I wonder why I've stayed with NatWest. Bankers really know how to kick you when you're down. And they sometimes get my standing orders wrong.



first direct
Rod, 35, advertising director, First Direct. It was Warren that started it. Paid his mobile bill by phone when he got back from New York ... at 3 am. Neat, huh? Neat card too ... sharp black number. I can do anything with it, except make the bed and wash the dishes ...



WEST BROMWICH BUILDING SOCIETY
Jack, 45, locksmith, West Bromwich Building Society. I don't want anything fancy. I get paid on a Friday and spend about 30 quid that night. I wouldn't hear the last of it on Saturday if I hadn't got the money for her trip to Kwik Save. So I like somewhere that's local, no fuss, like. And building societies are better value, that's what I hear, any road.



HALIFAX
Kate, 19, student, Halifax. Mum said bank with Barclays, they've always been good. But I wanted to go to India, so I settled for a Halifax. Mum said bank with Barclays, they've always been good. But I wanted to go to India, so I settled for a Halifax. Mum said bank with Barclays, they've always been good. But I wanted to go to India, so I settled for a Halifax.



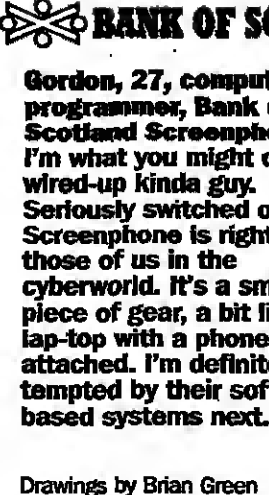
The CO-OPERATIVE BANK
Olivia, 43, housewife, Co-operative Bank. I became a vegetarian five years ago after watching a TV programme. I do care for the environment. My daughter says I'm PC. So the Co-op's the bank for me: no animal testing, no dealing with oppressive regimes. Shame they don't have many branches.



Lloyds Bank
Margaret, 70, former primary school teacher, and Roy, 72, retired civil servant, Lloyds. We've been with our branch as long as the black horse has ... well, since we opened a joint account, anyway. We often meet the local manager at get-togethers. He's a nice chap. We like the personal touch. Our daughter says we're old-fashioned, but it's what you're used to ...



BANK OF SCOTLAND
Gordon, 27, computer programmer, Bank of Scotland Screenphone. I'm what you might call a wired-up kinda guy. Seriously switched on. Screenphone is right for those of us in the cyberworld. It's a smart piece of gear, a bit like a lap-top with a phone attached. I'm definitely tempted by their software-based systems next.



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it announced that it will launch a banking service offering mortgages and savings accounts. The service, set to start late next year, will be targeted not just at the Pru's existing 6 million policyholders but at all those others it believes are still waiting to take advantage of the telephone revolution.

Potential customers are now confronted with a choice. You like the traditional branch-based system? Any high street bank will oblige, usually with longer opening hours and a better queuing system than before. But if you are ready to dispense with the niceties of a branch set-up, there is now an attractive alternative. Ordering a cheque book, paying a credit card bill at 3am or moving money from a deposit to a current account is easy by telephone banking.

In truth, most of us don't need that level of freedom most of the time. As one phone banking executive explained, most people don't have the kind of lifestyle that forces them to make late-night calls to their bank. Daytime hours, plus the odd call during a break in Brookside, will do most of the time. It is the sense of empower-

One of the costs has been the dramatic cut in numbers of banking staff over the past decade

recently has been First Direct. Set up by Midland Bank a little over five years ago, it now has more than 450,000 customers with more joining every week. But most banks and building societies, including Royal Bank of Scotland, Alliance & Leicester and Barclays have now set up similar systems.

For those who prefer computer banking, Bank of Scotland can provide them with the software needed to run an account via a PC. Alternatively, they will even supply a phone and screen to do the same thing. One of the costs of all this has been the dramatic cut in numbers of banking staff over the past decade, with tens of thousands of jobs lost. Banking unions argue that the extra benefits for customers have been a by-product of the mass redundancies rather than the rationale for the changes.

Many customers are deaf to this argument, however. They have seen the future and it works, even if it is at the cost of employees' jobs. It is not hard to see why. The past few years have seen dramatic changes, both in terms of our expectations and the bitter competition

Beirut Diary

ROBERT FISK

The Beirut government has been trying to clear away the martyrs. Technicolor billboards of Hizbollah's suicide bombers have cluttered Ouzai and the airport road for more than a decade, but Rafiq Hariri's cabinet has decided that illustrations of young men blowing up Israeli tanks in southern Lebanon are sending the wrong message to tourists and would-be foreign investors. So amid much muttering from Hizbollah – its leader, Sayed Hassan Nasrallah, archly suggested that the government had better follow its clean-up campaign by improving the phones and electricity supply – the posters have come down. A number can be seen stacked outside Hizbollah's mosque in Ouzai; goodbye, therefore, to Hassan Barro and his comrades, with their blood turning into tulips and their heads, quite literally, in the clouds.

But, propped majestically above the main road into Beirut from southern Lebanon, there remain the 20ft warrior of the 1860 war against the Christian Maronites and his modern-day, Kalashnikov-wielding equivalent, hero of a hundred battles (and quite a lot of throat-cutting), both statues guarded by three sinister field guns. Beirutis dutifully ignore the symbolism. They don't even talk about "east Beirut" or "west Beirut" any more – when I asked for new computer disks for the Independent in a Muslim-owned shop the other day I was told I could find them "in another part of town" – which meant, of course, that they could be found in a Christian-owned store.

A rather more serious clean-up has been going on in the restaurant trade. With Croesus-like generosity, Beirutis love to dine out, but new government inspections have listed a raft of fine cafes allegedly serving up food past its sell-by date. They include the splendid sea-front Spagateria, beloved of all wartime correspondents, not least because of the shrapnel-cracked mirrors it used to boast – and, "in another part of town", the one-time watering-hole of General Ariel Sharon, overseer of Israel's 1982-85 military débacle in Lebanon.

So it was good to eat Lebanon's traditional Sultan Ibrahim fish yesterday in the pristine confines of Nasr's, high above the Pigeon Rocks; not least because, after only two fish, I espied the dapper figure of



Watching over Beirut

Brigadier General Ghazi Kanaan, the all-powerful head of Syrian military intelligence in Lebanon, sitting down with a covey of colonels at the next table. Now there's a restaurant that definitely won't dare give its customers food poisoning.

But even at home, it's difficult to keep food fresh when the power still comes only 12 hours a day. The Irish Electricity Supply Board is helping out in the power stations and a group of bullet-nosed Frenchmen are wiring up my local street for 220-volt electricity – much bowing and Gallic scraping was necessary to stop them running a fist-sized cable under my balcony. Two months after they first announced the switchover, however, I'm still on 110 volts. Then there's my local phone line, which emits an

incendiary crackle whenever the Independent's foreign desk calls; it gets worse throughout the day and dies completely at around deadline time. The trouble, it seems, is caused by nests – not the ornithological kind but the electrical variety. Across the city, thousands of utility poles are infested with hundreds of wires, all of them strung up by home-owners stealing power off the mains. On one pole, I counted 168 wires this week, half of them phone links, the others leaching electricity.

At least things are going a little faster in the old civil war ruins downtown. Teams of archaeologists have unearthed a treasure trove of Roman columns, statues, glassware, roads marked by chariot wheels, the whole classical shebang from ancient Berytus, along with a mosaic inscription which advises that "jealousy is the worst of all evils, the only good about it is that it eats up the eyes and heart of the jealous".

Builders, meanwhile, are getting a little jealous of the archaeologists' patch and want to start erecting the new Beirut. Just after the classical chape went home last week, one construction company showed its lack of patience by sending a bulldozer down to the old Decemans Maximus Roman road. There it quickly ploughed up 60 square metres of Byzantine mosaic pavement, turning to dust in 10 minutes what had lasted for almost 2,000 years. The public prosecutor, as they say, has been informed.

What the Beirut tabloids would tell their readers if tabloids existed in Lebanon: that five lady members of Beirut's "velvet society" – the richer, shop-owning classes – have been questioned by the police about drug-running; that Beirut's Roumieh



Telephone exchange, Lebanon style

prison, with space for 1,000 inmates, now contains 2,100, most of whom will be released because the police held anyone questioned about drug offences until the completion of their investigation – even though nine out of 10 are said to be innocent; that the Americans are again fingering Lebanon – without proof – as the source of the new US dollar "Supernote" forgery.

Fresh from gaining an extra three years for his presidency after some extremely odd changes to Article 49 of the Lebanese constitution, Elias Hrawi was busy receiving guests at the presidential palace at Baabda when a Shia lady arrived to congratulate him on his continuation in office. Wishing to remind Mr Hrawi that, as a Muslim lady, it was not her practice to shake hands with a man, she touched her right hand lightly to her chest, a traditional female greeting in Lebanon.

Not to be outdone, the 68-year-old president, who under the constitution must be a Christian Maronite, placed a white handkerchief firmly over his right hand so that it was not possible for his flesh to be touched. Then he held out the decorously mouchouped presidential hand – which the somewhat stunned Muslim lady dutifully shook. Both were clearly blissfully unaware that this Gilbertian scene had been watched on live television across Lebanon by tens of thousands of viewers.

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An agenda for the United Nations

To its many critics, the United Nations succeeded over the past three days in New York in presenting a sad parody of itself, as leaders from all around the world trailed to the city to join in a historic and costly exhalation of hot air.

The organisation's golden jubilee has coincided exactly with one of its worst moments of crisis, fed by the refusal of the United States to pay up the roughly \$1.3bn it owes the UN. Had Washington stumped up the cash, it might just have been possible for those attending the jamboree in New York to leave saying that all was relatively well. Complacency and inaction would have been the order of the day.

Instead, we now have probably the best chance we are ever likely to get to institute wide reforms of the UN. John Major was right on Monday to support Boutros Boutros-Ghali's request for an emergency session of the General Assembly next year to try to agree a way forward and re-establish some order in the UN's accounts. In the run-up to such a session, Britain, the US and the other countries that make up the core 15 member states (who pay 80 per cent of the UN's budget) should work hard to ensure that a serious attempt is at last made to reform.

The headings for that reform have been more or less identified. Clearly the perennial money crisis has to be sorted out once and for all. Unarguably, the bloated expanse of bureaucracy in New York and around the world should be

slimmed down, corruption rooted out and some satellite agencies closed down. The Economic and Social Committee in the UN, which is meant to deal with everything other than security, including development, is a hopelessly confused operation that needs urgently to be rebuilt. The need for regional organisations such as the UN Economic Commission for Europe is far from evident.

But austerity alone will be insufficient to underpin the UN's future, and more than the cost-cutter's logic will be needed to win the agreement of all countries to change. Above all, the organisation needs to have its legitimacy underpinned. For a start, that means making its steering bodies more democratic. There is consensus now that the Security Council itself, dominated by the original permanent five, should have a wider membership. And while Britain and the US might like the idea of jettisoning some agencies concerned with development, many smaller countries will resist. So the UN will have to prove that it is still concerned with economic, social and environmental issues, and that it realises that they are deeply intertwined with security problems.

Reform of the UN will only happen if the member states achieve a mutual sense of confidence about the organisation's purpose. Redefining that purpose must be the first and most urgent step towards renewal. From that, detailed reshaping and retrenchment can flow.

Beware the French Lieutenant's grockle

With apologies to John Fowles

If, in the late autumn of 1995, you had been a guest at the odd-numbered Buena Vista Hotel, in the town of Lyme Regis – and had chosen to take tea in the Tivoli Rooms – you might have discerned, by inclining slightly to your left, the figure of a man emerging hurriedly from the shadowy front door of a neighbouring house.

This man, of an appearance that the conventions of the time declared to be that of an author – salt-and-pepper beard, arched cheekbones, coarse corduroy trousers with fly undone in the English style – would pass beneath the window, his jaws working with suppressed anger. Despairing of your scowls, you might have decided that greater diversion was to be had from following the tall figure wherever he might lead.

See him at the top of Steep Pond Street, crossing the late visitors that through the narrow streets and methodically fail to find the waste-hins with their hand-scrunched chip wrappings. Now his literary form curves a swathe through Broad Street, scattering the continuity girls from a BBC film unit engaged in yet another Jane Austen adaptation. Shrieking and giggling they flee for the shelter of a mobile tea van, from which free bacon sandwiches are being dispensed to the east.

Follow him through the car-park, striking out at the stationary motor vehicles, whose red, green and blue metal frames have conveyed here the groups of gaily attired grockle folk (as Lyme nomenclature has it) clogging the town. At last he stands at the Cobb Gate, a blustery easterly buffing the redness of his cheeks, and surveys the long curving mole.

Follow his gaze down the sea-rampart of the Cobb, whale-like in its immensity, but still fragile as it bolts on tenuously to the sombre shore. What you and he see is the figure of a woman, clothed all in black, staring Strep-like out to sea.

The author approaches, but does not speak. The woman looks up. Five minutes pass before, shading her face with her hand, she turns away. He examines her in silence and then turns, wordlessly, to stare at the smiling, grey sea. She turns to him, her pale lips part momentarily, but she says nothing. Then she turns away.

Next, something happens so unexpected that an atom bomb being detonated on the old road to Charmouth could not be more surprising. He speaks. "You're French. Is it your bloody Deux-Chevaux parked half on the pavement outside my house?" She turns away. "You are wrong on two counts," she replies. "I am the woman of a French lieutenant, not the French woman of a lieutenant of indeterminate nationality. Besides, I came here in a coach with fellow members of Women Against Harassment by French NCOs. We are celebrating our recent grant from the National Lottery. Now please leave and do not get all romantic. I am not in the mood for corn on the Cobb." And she turns again to contemplate the sun-plashed but sombre sea.

ANOTHER VIEW Peter Waddington

Patrolling with a purpose

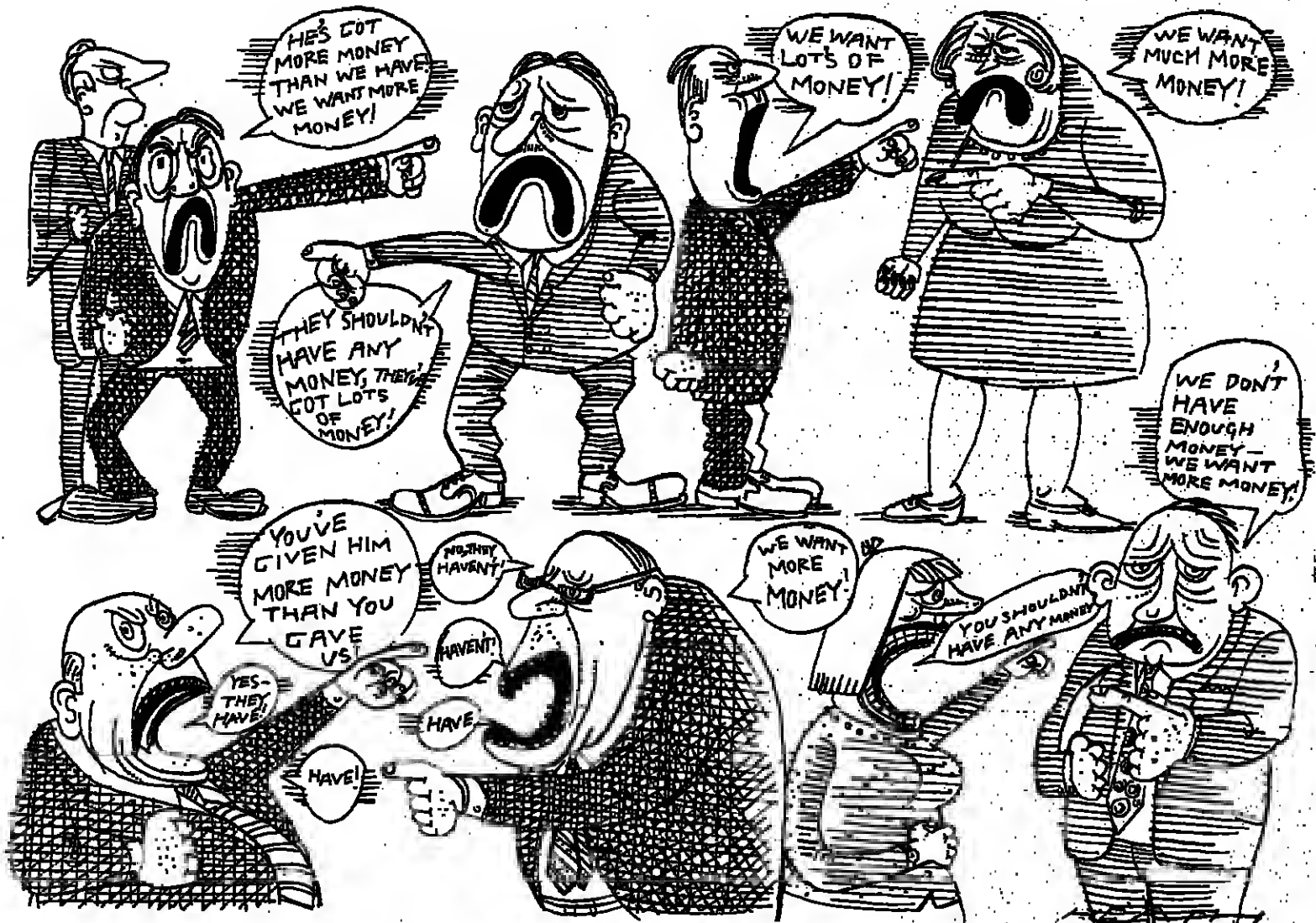
The leaked report of the Audit Commission into police patrolling merely confirms what researchers have been saying for years and what most police officers recognise: beat patrol is aimless, boring and has little impact on crime. However, the commission's belief that this arises from poor management is superficial, as are the remedies it suggests.

Between two-thirds and three-quarters of the police budget goes on patrolling. For the officers who do it, patrolling consists of hours of aimless wandering the streets, hoping that something will happen. Few seem to have any clear notion of why they patrol the places that they patrol. Their routes are usually decided on a whim. They rarely meet members of the public and prefer to patrol in pairs so they have someone to talk to. It is highly unlikely that they will make an arrest and even more unlikely that they will detect a serious crime.

The Audit Commission is correct: patrol is badly managed, but the commission's emphasis on crime-fighting is part of the problem, not the solution.

Most police work is in response to specific demands for assistance from the public. Such demands are enormously diverse, including reporting crimes, sub-criminal "trouble", and all manner of emergencies, from reporting missing children to elderly people thought to be in distress. It is this that justifies a 24-hour, mobile, generic emergency service. If police officers were devoted to intelligence-led crime-fighting

The writer is author of *Calling the Police*, a study of routine police work.



The British character - whingeing about lottery money

LETTERS TO THE EDITOR

Pill scare: trouble for doctors and women

From Dr C. N. Barry

Sir: In common, I suspect, with most other GPs, I heard about the latest Pill scare via the media on Thursday, before the official letter arrived in my post on Friday morning. The official advice to women is, perhaps not unreasonably at first sight, not to panic, but to consult your doctor during the current monthly cycle.

In our practice of six whole-time equivalent doctors, with 10,000 patients, we have about 360 women taking the allegedly "less safe" brands of Pill. To see them all over the next four weeks we would have to offer an extra 90 appointments per week at a time of year when practices are traditionally busy with seasonal ailments and, to cap it all, beginning in the half-term week when, as it happens, we have two partners away on holiday!

Sadly, this is just another example of officialdom making recommendations, without the slightest idea of their practical effects. Yours faithfully, C. N. BARRY, Wroughton Health Centre, Swindon, Wiltshire

From Dr Irene Bainbridge and others

Sir: We are concerned about the motives behind the latest official warning on the dangers of certain low-dose combined contraceptive pills ("Pill alert for a million women", 20 October). The report suggests that at-risk patients are more likely to suffer from clotting disorders if they take certain brands of contraceptive.

Doctors have known of the risks from the combined contraceptives for many years. The risks

are real but very small. This is precisely why the Pill is not available over the counter and can only be obtained from doctors. Before they provide any combined contraceptives, all family doctors take account of the woman's medical, social and family history and we only provide contraception we consider is safe for the patients.

We believe the current warning is irresponsible and unjustified, causing many women undue anxiety. Some will have stopped their contraceptives, thereby risking an unwanted pregnancy, a condition not without its own hazards and long-term consequences.

Is it just coincidence that only a year ago the Government wanted to blacklist certain brands of Pill on the grounds of costs?

Yours sincerely, IRENE BAINBRIDGE, MARTYN JONES, DAVID ROBERTS, SHOM SIL, ALLAN TENNENT, PAUL THOMAS, JOHN ZACHARIAS, National Committee of the Dispensing Doctors Association, Barham, Ipswich, 20 October

From Dr N. M. Nabi

Sir: Several issues have arisen out of the Department of Health's recent announcement concerning the contraceptive Pill. The DoH lists various veins, obesity and previous thrombosis as reasons for discontinuing the third-generation Pills containing desogestrel and gestodene. It is firmly established that these veins are not a contra-indication to the Pill. One of the biggest risk factors, smoking, has not been listed.

As GPs, we are unable to comment on the actual research that persuaded the DoH to go public, as the research is not yet published.

We are left impatient when dealing with patients' concerns.

The Government has been trumpeting "evidence-based medicine" as an explanation for the rationing that is occurring in the NHS. If the three studies quoted by the DoH have not been critically analysed, then this cannot be "evidence-based medicine". There are thousands of studies occurring at any one time, many of poor quality. If studies are not allowed to be challenged in open debate, then I fear we will be basing our care on rumours and scaremongering. Is this really the precedent the Government wishes to set?

The DoH sent letters to all GPs on the evening of 18 October and a press conference was arranged for the following morning. The department has taken the moral high ground by saying that it is their duty to inform Pill users as early as possible. Why then are the women advised to go and see their GPs? If the DoH wishes to involve us, it should do so in full consultation with the GP leaders. If not, then leave us out of the mess.

Both your editorial on the 20 October ("Prudence and the Pill revisited") and the subsequent correction (21 October) contained inaccuracies. The first generation (high-dose oestrogen) Pills lead to a greater risk of thromboembolism than either the second generation (low oestrogen) Pills or the third generation (desogestrel and gestodene) Pills.

Yours sincerely, N. M. NABI, Walker Medical Group, Newcastle upon Tyne, 23 October

Tapes are a legal safeguard

From Mr Christopher Wills

Sir: I sympathise with the sentiments behind Margaret Evers' and Alan Bullion's letters about selling evidence for profit in cases such as Frederick West's (23 October), but there are wider aspects which they ignore.

Firstly, a fundamental rule of Pace (the Police and Criminal Evidence Act) is that the police must provide interviewees with duplicate tapes. If the tapes were to come with a complete ban on publication, a vital safeguard would be destroyed. Usually, there would be nothing to prevent the individual from recounting the interview at a later date. If the interviewee died, it would make no material difference except that his rights to the tapes would pass to his estate.

In the event of the interviewee dying in suspicious circumstances

during the interview, or at least while in custody, your columns would be full of questions about the nature of the questioning if publication of the tapes were lawfully prevented.

Secondly, if the material takes on a commercial value and the Official Solicitor ignores it, no doubt any innocent defendants, whose financial interests he is there to protect, would have a right of action against him and they, too, might be calling for his removal from office.

Perhaps we may all take some comfort from the fact that we do have *sub judice* rules which at least protect us from some of the travesties of justice transmitted to us from across the Atlantic.

Yours faithfully, CHRISTOPHER WILLS, Malmesbury, Wiltshire, 23 October

When does success spell failure?

From Mr Eric Hebborn

Sir: In his review of Alice Beck's *Pinkie Fingers* and the *Art of the Lie* (20 October), David Elksedjian says that I have been quoted as comparing myself with Michelangelo and Rembrandt, without bothering to say who quotes me, or if I compare myself favourably or otherwise. In response, allow me to quote from my autobiography, *Drawn to Trouble*: "I have never considered myself a misunderstood genius or for that matter a genius at all."

As for being a failed artist, I don't know what Mr Elksedjian considers success, but an artist such as myself, who has won such prestigious prizes as the Royal Academy's silver medal and the Rome scholarship, has had innumerable one-man shows and whose works are represented in some of the most important public and private collections in the world can hardly be considered a total failure.

Unfortunately, Mr Elksedjian has adopted his slant from the book he was reviewing, where the author writes: "It seems to me Hebborn wrote his book in desperation for recognition." Well, Mr Beckitt is entitled to her opinion, but like most of us she believes what she wants to believe. The fact remains that scarce as the supply of truth is, it yet far exceeds its demand.

Yours truly, ERIC HEBBORN, Rome

Off track

From Mr Tim Mickleburgh

Sir: So, "Lionford Christie is the greatest athlete this country has ever produced" (Magazine, 21 October)? Well, it was a tremendous achievement for him to win the 100m gold in Barcelona, but let's not forget that Sebastian Coe (1,500m, 1980 and 1984) and Daley Thompson (decathlon, 1980 and 1984) both gained two Olympic titles, as well as setting world records, something Christie has never done. Indeed, Coe's time of 1.41.73 for the 800m, set at Florence in June 1981, remains on the listings today.

Yours faithfully, TIM MICKLEBURGH, Grimsby, Lincolnshire, 21 October

Environmental facts on the Net

From Mr Alan Watson

Sir: You reported today that Friends of the Earth has "placed a register of Britain's most polluting factories, gasworks, chemical plants and refineries on the Internet" (20 October). While we have provided detailed information on over 1,000 industrial sites, including some gasification processes, we haven't yet been able to publish data on old polluted gasworks sites. This is because the locations of these toxic legacies have been kept a closely guarded secret by British Gas.

We have, however, undertaken studies of gasworks and other contaminated land and we will be placing this information on the Internet very soon. If British Gas had not been privatised, the public would have had a right to know detailed information about contamination of gasworks sites under the Environmental Information Regulations 1992.

Our decision to process this data for the Internet has been vindicated by the tremendous uptake.

In the first four hours after the launch, the data was seen by 10 times as many people as visited the Pollution Inspectorate's registers in a whole year. We hope that industry and regulators will take note and provide detailed environmental information on the Net.

Yours sincerely, ALAN WATSON, Senior Campaigner, Friends of the Earth, London, N1, 19 October

Lottery squabbles

From Mr Tony Brown

Sir: As the name-calling by the disappointed reaches a crescendo, the obvious is overlooked. If there were no lottery, there would be no cash to squabble over.

Yours faithfully, TONY BROWN, London, W3

Letters should be addressed to Letters to the Editor and include a daytime telephone number. (Fax 0171-293 2856; e-mail: letters@independent.co.uk) Letters may be edited for length and clarity. We regret that we are unable to acknowledge unpublished letters.

comment

Lord Mackay's well-intentioned fiasco

The proposals for divorce reform threaten to create a mess on a par with the Child Support Agency

Last week the bold Lord Mackay addressed Marriage Care, the Catholic Marriage Advisory Council. There was standing room only for his speech expounding the virtues of his proposed divorce reform bill, due in Parliament next month.

If for this Free Lord Chancellor this amounted to supping with the popish anti-Christ, at least he sold his soul for something of tangible value. An astonishing press release soon afterwards was his reward. It reads: "The Catholic members of Parliament pointing out that the Lord Chancellor's White Paper on divorce law reform was hardly welcomed by the Catholic Bishops Conference, Mr Kieran Conroy said: 'It would be quite wrong if Catholic MPs were to be swayed in their view of the Lord Chancellor's proposals by incorrect information about the Catholic bishops' view'."

What a coup, just as the Catholic MPs are being lobbied vigorously by John Patten to demand a free vote on the new no-fault, knock-for-knock divorce law.

If Lord Mackay were not such an honourable man, it might be suspected that he had pulled the wool over the eyes of the gullible anti-divorce Catholic bishops. Were he not so utterly ingenuous by nature, his speech might read as one of the most disingenuous for a long while. But he probably believed every word he spoke. That is what worries a lot of professionals in the field. Does he have any idea what he is doing and why?

The entire content of the speech

was a paean of praise for marriage, portraying his liberalising divorce reforms as no more than marriage guidance that would get couples back together again. He sounded like the Pope. He spoke of marriage as "special... a unique affirmation of the lifelong commitment a man and a woman have made to each other.... I believe it is a divinely appointed institution which is of inestimable value to the human family."

Pages more of this brought him stealthily round to the question of divorce, and even then it was as sugar-coated as a golden wedding tribute. "I do not believe that a marriage is necessarily irrevocable, just because one of the parties has asked for a divorce.... This is one of the main reasons underlying my wish to change the current divorce system.... I want couples to talk to each other. I want them to be able to think through the consequences of divorce before it happens, not after. I want them to think about what their marriage has to offer both them and their children before they decide whether or not to throw it away.... I believe mediation offers a better way of saving those marriages which are not irretrievable."

Is it surprising he had the Catholics eating out of his hand? This is the unlikely man who is introducing the most radical divorce reform since 1969 when the Labour MP Leo Abse openly advocated "libidinal liberation". Under it couples will divorce without fault after one year, instead of the present two (or five years if one partner resists). The case for reform is that the law is mocked, since most



POLLY TOYNEBEE
Mediation is an excellent option, but is suitable for fewer than half the cases

couples divorce within months on often trumped-up and damaging accusations of unreasonable behaviour. Removing fault stops that loophole, but it is a fundamental moral change.

There will be a compulsory information session for couples as soon as they file for divorce, and a very strong push towards mediation, instead of resorting to their separate lawyers. However, every piece of advice, research and evidence that the Lord Chancellor has been given has told him loud and clear that mediation does not get couples back together again. When it works, it helps them separate with less strife.

The problem with Mackay's misunderstanding and wishful thinking about mediation is that it is in danger of leading to a system that will not work, and may do much harm, especially to vulnerable poorer women.

Couples will be coerced into mediation, though it will only have real force with those on legal aid. If legally aided couples refuse mediation, they will have to appear before an intake officer who will decide if they have a good enough reason for refusing.

The problem is that Mackay's sentimental view of the process has clouded the fact that these people are in bitter opposition, fighting for extremely important rights to children and property. The Solicitors' Family Law Association was not simply acting as a trade union this week when it expressed deep alarm that people would not have access to advice from lawyers. Research shows that mediation works best backed up by legal advice as the process goes along.

Diana Parker, a leading family solicitor, is also a strong believer in mediation, as a founder of the Family Mediators' Association. She says drily of Mackay's views: "The only couples who typically get back together are the violent cases, where there is still enough passion smouldering away for reconciliation after reconciliation until they finally burn out and split. The ones for whom mediation works well are those who have already disengaged, and embark upon it coolly with clear-out objectives. In mediation they are no longer a couple, but two people with very different interests."

Mediation is an excellent option, but is suitable for fewer than half the cases. If the host of new mediators (who will not be lawyers) are on block government contracts, the pressure to get results will be intense. Mackay may have had a personal vision of happy

reconciliations, but he sold it to the Treasury on the grounds that it will limit the legal aid bill for divorce, because the hourly rates for mediators will be cheaper than for solicitors.

The great majority of wives go on to social security when they separate from their husbands. They divorce on legal aid, and have no other money for lawyers. Discovering the true earnings and assets of husbands can prove very difficult, especially for self-employed men with complicated finances. Mediators on performance-related contracts may be urged to engineer quick-fix deals against the interests of the most vulnerable. They may not have the professional expertise to scrutinise difficult accounts. There is here another Child Support Agency fiasco in the making.

The most curious aspect to this whole divorce reform initiative is that there is no great pressure for it from anywhere. It is Lord Mackay's own baby, pushed through a deeply dubious Cabinet that would never have swallowed it from any less Christian source.

Virtually all the organisations concerned with marriage and divorce agree that children of divorce will be helped if conflict between couples is lessened. But the danger is that a new two-tier system is being brought in, with one law for poor divorcees, and another for the rich who can afford lawyers and accountants. All will depend on the small print of the Bill when it is published next month. If it denies poor people free reasonable access to lawyers throughout the process, then it may end up doing more harm than good.

The key to my enlightenment

Not very long ago I was standing in a Catholic church in the middle of Italy when I had a sudden flash of enlightenment. All at once it came to me, as if from nowhere, that it was about time I took some of the things off my key-ring.

Let me explain the background to this vision. During my recent absence from these pages, I was in Italy working for an independent TV company on a Channel 4 programme about saints' relics. (I am not an expert on saints' relics. I think that was one of the reasons they hired me. I lent an air of holy innocence in the proceedings.) In the course of our travels, we came to the hill town of Cascia, where the body of St Rita, patron saint of lost causes, is displayed to the public, even though she died hundreds of years ago and is now a little shrunk. And after we had finished talking to the very patient nun who agreed to face the camera and tell me the somewhat horrific story of St Rita, with the body of the saint hovering in mid-air behind us, she took me into a back room and said with a beatific smile: "This is a present for you."

"This" was a key-ring. It had a little locket dangling from it, with some roses on one side and a picture of St Rita on the other. The picture of the saint is subtitled, in Italian, "St Rita, Protettrice", or "St Rita, protect me".

I thanked her in profuse, but minimal Italian and to show that I meant business I got my keys out to introduce St Rita on to my key-ring. And it was under the gaze of this nun that I suddenly realised how grossly over-populated and over-privileged my key-ring was.

Normally, we do not realise this until our keys start creating holes in pockets or become too heavy to lift, but when you are exposing your keys to the holy gaze of a nun who, you are convinced, owns nothing and needs nothing, and has perhaps even sold all and given unto the poor, you can't help feeling a bit of a fat cat.

There and then I promised St Rita that I would rationalise my keys when I got home.

That moment has now come. Today, I have got out my hunch of keys and have started the audit. For a start, I have weighed it, and it comes in at just under 200 grammes, or just over 7 ounces. It also led to the following question from my wife:

"Why are you weighing your keys?"

"They're about half a pound," I said, deliberately ignoring the question.

"Has it ever occurred to you that you walk around every day with a packet of clutter in your pocket?" she said.

"St Rita, give me strength," I muttered.

"What did you say?"

"Nothing."

"I thought I heard a woman's name."

"Someone called Rita. Nobody you know."

Now that honours were even, I got down to the job of cataloguing my keys. There are about 16 of them. I say about 16 because it is almost impossible to avoid counting keys twice on a key-ring. There are two for bicycle locks and two keys for a rowing boat lock. There are several for cars, and several for doors in the house. (Outside doors, that is. Most of the interior doors in our house have locks as well, but we removed the keys from them because my son and his contemporaries went through a happy phase of accidentally locking themselves in rooms. They have passed that phase now. They are now into a phase of deliberately locking people



MILES KINGTON

into rooms. So the keys are back in hiding. In the cellar, in a box, I think.) There are also several luggage keys, and there are two keys I do not recognise.

"Why are you counting your keys?" said my wife. This, you will remember, is the same person who had earlier asked me why I was weighing them. "There are two keys here I do not recognise," I said, again ignoring her question. I am good at ignoring questions. I would make a fine politician.

"Well," she said, "that one is the hick-shed key but I don't recognise the other one."

Have you noticed that there is always at least one key on your ring that is a stranger, in the same way that hotel rooms always have one electric switch that operates nothing? Never get rid of it. In my experience, it always turns out to operate the petrol cap on a car. I once borrowed my wife's car and had to fill it up with petrol, and couldn't open the locked petrol cap, but then found that I had the key to it on my ring, although I swear I never put it there.

"Why are you looking worried," said the woman who asks all these questions.

"I can't think of a way of lightening my key-ring."

"Why not take off that completely unnecessary St Rita attachment?"

Of course. Why hadn't I thought of that?

Spend less, let the people prosper

Europe should learn from the successful Asian nations and rein in the state sector, argues Chris Patten

These days I am a distant and discreet observer of party conferences. But one phrase from the speeches at Blackpool had a certain resonance for all of us in Hong Kong. It was the suggestion that Britain should aim to become, in effect, the Hong Kong of Europe, offering - if I took the point accurately - an offshore entrepreneurial haven, an open economy throbbing with vitality, invigorated by low taxes, liberated from excessive governmental regulation. All this in sharp contrast to a more bureaucratically burdened, higher taxed, introverted, Continental Europe. If Deng Xiaoping was living in Brussels, he would have had a phrase for it - "one community, two systems".

I find this notion of the symbiotic colonial relationship rather a happy

and get Asia to open its markets, too. The hitherto protectionists in America and Europe should get short shrift.

And I take it as read that the economies of Europe want faster economic growth. We have seen in the past few years that nothing gets better without it, and that since ties of community are strained by its absence, it is worth at least challenging the assumption that any more radical efforts to revitalise our economies would inevitably require policies that tear communities apart. They tear apart anyway.

What is the issue around which I tiptoe so delicately? It is quite simply the appetite of states; it is the proportion of every community's income that is taken in taxes and public spending. In Hong Kong this year we will spend 16.2 per cent of our GDP on public expenditure, and take 11.6 per cent in taxes.

You find similar spending figures elsewhere in the region: in Korea about 18 per cent; in Taiwan almost 16 per cent; in Singapore about 20 per cent; in Malaysia a whopping 25 per cent. Admittedly it is hard to compare like with like. But the picture is broadly the same. Relatively lower levels of public spending as a proportion of GDP are a hallmark of these booming Asian economies.

What is the position in Europe? In Britain, nearly 43 per cent of our GDP goes on public expenditure. In France the figure is almost 55 per cent; in Germany - where Chancellor Kohl recently advocated slamming down the state sector - the figure is 49 per cent.

I use these figures only to illustrate a more general proposition. Lower proportions of public expenditure are without doubt a consequence in part of less advanced stages of economic development. In Japan, for example, the figures are much closer to those in Europe and Asia may edge up as the appetite of electorates for public provision grows - though in Hong Kong, while we have had substantial increases in spending on social welfare, the proportion of GDP devoted to public expenditure is likely to be lower in 1997 than it was in 1982-83. All these comparisons require a health warning with flashing neon lights, and



Hong Kong: could Europe imitate its vibrant, low-tax economy?

Photograph: John Voos

I do not pretend that Hong Kong's level of public spending as a proportion of GDP is a realistic target for OECD countries.

So I am not an advocate of a slash-and-burn approach to public spending. But my three years in the fastest-growing region in the world, in one of the fastest-growing economies in the world, have impressed on me that some reduction in the state's take of national income is an essential condition for more rapid growth as well as, of course, for lower taxes, which themselves help to spur growth. And I find it hard to accept that existing public, taxpayer-funded provision is so pluperfect that it cannot be snipped, pruned or in some cases dismantled.

Hong Kong is not demonstratively worse off with proportionately much lower public spending than equivalent economies in Europe. But it has long had an iron rule that public spending should not grow faster than the trend rate of growth in the economy. As a result, public expenditure has remained below 20 per cent of GDP, taxes have stayed low and Hong Kong's economy has continued to grow healthily. So it has been able to afford increases in public spending to provide decent levels of welfare,

health and educational provision.

I hope that I can set these observations quite apart from any current controversies, and apply them to Europe as a whole. They represent an objective, not a cost-cutting programme. The scale of the task of curbing public expenditure means that it must be one for the long term. But the long term has to start somewhere. Naturally it would be better if reform and retrenchment in the public sector could be pursued with as broad a base of public and political support as possible. We have to challenge the assumption that there is an umbilical connection between public morality and public spending.

In his brilliant book *The World After Communism*, Robert Skidelsky concedes that how to make significant cuts in state spending harkens with technical and political difficulties. But, as he goes on to argue, "at root the issue is philosophical. We need to answer two kinds of question. Are the welfare responsibilities which the state has assumed over this century any longer appropriate in privately wealthy societies? And what, in such societies, is the appropriate division of responsibility we would want to see between the individual and the state?"

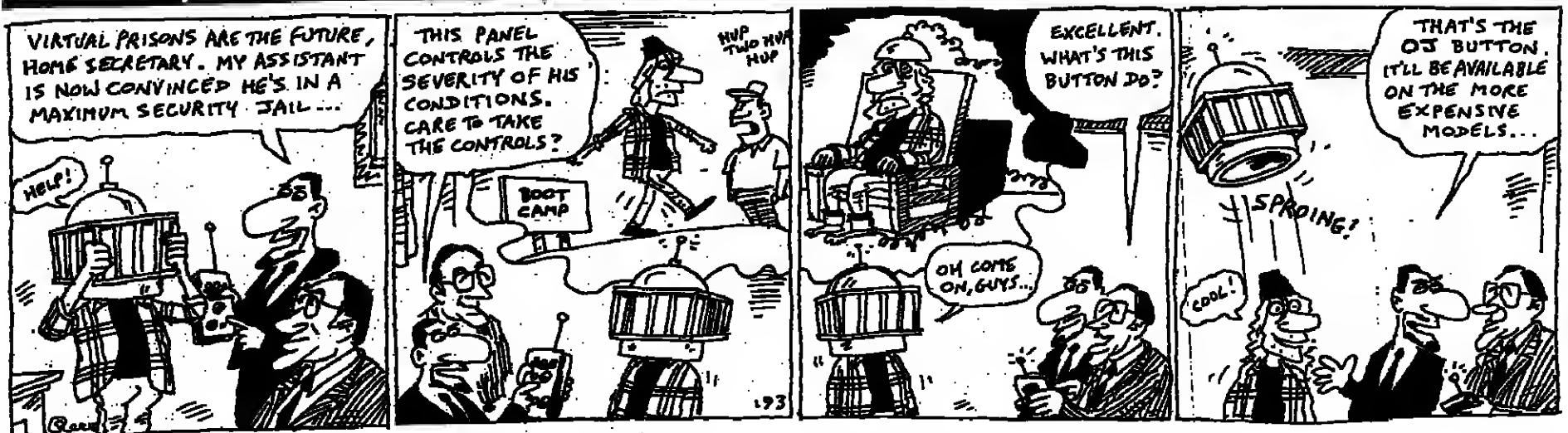
This is a profoundly liberal issue. Of course, it assumes an end result of lower taxes and an end to envy as the motor of fiscal policy. But I am not advocating the crasser sort of individualism, in which men and women are regarded as culturally rootless and devoid of a sense of duty and responsibility. Nor am I arguing, as some appear to do, that everything that states do is wrong and that we need an ideological assault on the public service. Far from it. Like Douglas Hurd, I believe strongly in the ethic of public service, and admire the professionalism of Britain's public servants.

But I also see the case for what Skidelsky calls "state repair", both in the European Union and in those fellow European states to the east that should be part of it. In other words, we shall only be able to restore the authority of states by shrinking what they do. They are, today, muscle-bound but weak; ambitious but derided. To do much better, they must do much less.

This is an edited extract from a speech given by the Governor of Hong Kong to the Conservative Political Centre last night.

by Tony Reeve and Steve Way

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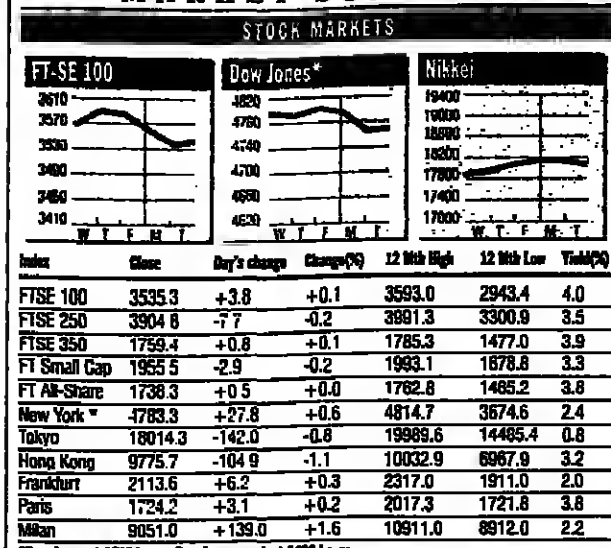
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MARKET SUMMARY



Prudential takes on the banks

JOHN WILLCOCK
and NICK CHITTI

Prudential, Britain's largest insurance company, last night sent shock waves through the financial services industry by announcing it was about to move into retail banking.

Its plan to sell savings and mortgages down the telephone is seen as the beginning of a full-service banking operation and is the latest move in a revolution among banks, building societies and insurance companies which has seen nearly £30bn worth of takeovers and acquisitions in the past 18 months.

Analysts praised the Pru's low-cost, high-profile approach, which is aimed at retaining some of the £1bn-odd it pays out on maturing policies each year. Much of this is deposited with banks and building societies, the Pru said.

"It's a logical extension, a nice move," said Tom Bennett, insurance analyst at Paribas. Similar moves by insurers in Scandinavia had forced banks to raise their deposit rates to investors, he noted.

The Pru's £70m investment in a phone banking launch comes hard on the heels of a series of deals in which banks, building societies and insurers have all reacted to a low-inflation, deregulated and highly competitive marketplace.

"The good news is that they're not buying an existing bank or building society. There

have been concerns over the years that they might do so," said Nick Bunker, an ABN Amro Hoare Govett analyst.

Prudential's chief executive, Peter Davis, said in a statement: "We enjoy existing relationships with over 6 million customers in the UK and benefit from a well established and well regarded brand."

Prudential already arranges around £700m a year in mortgages, using a panel of building societies and banks.

"Given this base, we believe we can build a substantial business in a short period of time," Mr Davis said.

The insurer is well placed to use its financial muscle, making profits of £504m last year.

Prudential said it would apply to the Bank of England for a deposit-taking licence with the aim of offering a direct banking service using the telephone and post.

The recent £15bn Lloyds Bank bid for TSB, following on from Lloyds' £1.8bn acquisition of Cheltenham & Gloucester Building Society, highlighted

the threat from the high street banks' expansion into mortgages and insurance.

Both Lloyds and TSB have led the "bancassurance" approach by cross-selling insurance and other products to banking customers. Lloyds TSB will be amongst the UK's biggest insurers as well as mortgage lenders.

The new head of Prudential's banking operation is Michael Harris, who made his name by spearheading Midland Bank's introduction of the then-revolutionary First Direct phone banking operation in the late 1980s and hopes to reverse this trend by stealing some of the banks' thunder.

Some analysts warned that big as the Pru is, it may still lack the sheer capital required to make a big dent in the high street banks' market share, not least because of the Bank of England's strict capital adequacy rules.

John De La Hay, an SG Strauss Tumbull analyst, said that in the short term, Prudential's move would be felt more by building societies than banks.

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Man with gift for the big picture



Michael Harris: setting up direct banking at the Pru

Mike Harris made his name as chief executive of First Direct, the successful Midland Bank subsidiary, which first introduced telephone banking to a mass audience in the late 1980s, writes John Willcock.

Leaving that job after three years in 1991, he seemed set for an even more glittering career as chief executive of Mercury Communications, the phone arm of Cable & Wireless.

He was perceived to have vision: a background in management consultancy and systems, and his ability to apply technology to mass market financial ser-

vices made him a hot property. But he was ousted from his post of chief executive at Mercury last year and moved sideways to a development job, apparently after falling foul of Lord Young, chairman of Cable & Wireless.

Still only 46, Mr Harris is regarded as a popular figure. One Mercury insider said yesterday: "He was very well-liked... he was good at the big picture, a visionary." He introduced the "Imagine Programme" at Mercury, which encouraged management and staff to stop thinking of the company as a

telephone utility and rather as a vehicle for new ideas and products.

A chemistry graduate from University College, London, his first information technology job was with CAP (now the SEMA Group) in 1970. He then moved to Midland Bank's management services for 14 years, and then to PA Consultants for a three-year stint in management consultancy.

During his three years with Mercury, the UK's second largest telecommunications company, profits more than doubled to £219m.

Asda told to raise price of drugs

NIGEL COPE

Asda, the supermarket group leading the challenge against resale price maintenance, has been served with an injunction by two pharmaceutical groups to prevent it from selling vitamins and minerals at cut prices.

The group lost part of its battle yesterday when a court ruled that from 4pm today eight of the discounted lines will return to the resale maintenance price, an increase of 25 per cent. The two companies involved are Roche Pharmaceuticals, which makes Sanatogen, and Seven Seas which produces the Seven Seas range of vitamin supplements.

A wider injunction was thrown out but the two parties are due in court again next Thursday for a further hearing to decide the price level of the 70 remaining lines which are the subject of dispute.

Tony Campbell, Asda's trading director said: "We continue to fight to bring better value vitamins, minerals and supplements to our customers. We also urge the Office of Fair Trading to speed up their investigations of this outdated pricing agreement."

The injunction follows Monday's action by Procter & Gamble, Warner Wellcome and Reckitt & Colman which threatened legal proceedings if Asda extended its discounting policy to their products.

Asda expressed disappointment the drugs firms had resorted to solicitors' letters before speaking to the group. The group mounted its challenge to the resale price maintenance of non-prescription drugs last week when it cut the price of 80 vitamins and mineral products by up to 20 per cent.

Boots and Sainsbury's have already responded with some price cuts, though a full-scale price war has not yet been threatened.

The mediation battle follows Asda's successful challenge to the Net Book Agreement which collapsed last month.

Asda is also supportive of Tesco's threat to spark a magazine price war if the industry's distribution and wholesaling arrangements are not made more flexible.

Eyes on the prize: City names behind former chief executive who wants to buy out the founding family



Barry Dale: Bidding £1.2bn to wrest control of Littlewoods from the Moores family

£1.2bn Littlewoods bid gets blue-chip backing

NIGEL COPE
and CHRIS BLACKHURST

The battle for control of the Littlewoods retail and football pools business took a step forward yesterday when it emerged that Barry Dale, the former chief executive, has lined up powerful City backers to fund his £1.2bn bid for the company.

It is the first time details of the consortium have become known and its membership adds weight to Mr Dale's attempts to wrest control of the privately owned group away from the founding Moores family.

The fresh development came as speculation grew that rival groups may also be interested in bidding for the company.

Mr Dale sent an offer document to Littlewoods' advisers Kleinwort Benson on Friday confirming his £1.2bn offer. He is backed by blue chip venture capital groups, including the Prudential, Electra, Candover Investments, Legal & General and Apex Partners.

A list of banks, which includes Chemical Bank, Deutsche, Fuji and Nations Bank of the United States, has been lined up to assume the company's debts and the merchant bank Dawney

Day is acting as adviser for the group.

Mr Dale's offer is believed to be worth 848p per ordinary share and 189p per preference share. This is thought to be a 70 per cent premium to the price received by Peter Moores, a family member who sold out last year. The deal values Littlewoods at a significant premium to its net asset value of £570m.

Littlewoods said: "We have yet to receive a formal offer but should we receive one we will respond to it." However, the company acknowledged Mr Dale's approach to Kleinwort Benson and said that it would be making a response.

According to the venture capital groups involved, Mr

Dale would be chairman of the group if the bid was successful.

John Coleman, former chief executive of Texas Homecare, has also joined the consortium and would become managing director of the retail division. This includes the Littlewoods stores, the home shopping business, the Index stores. His role would be to inject some razzmatazz into the Littlewoods outlets, which are seen as dowdy and old-fashioned.

Another director would be brought in to run the football pools division.

Fred Vinton, chairman of Electra, said: "It is the right time for the family to consider their options." He added that the decision "may not be purely financial", a reference to the complex emotional issues involved in such a large family owned company.

Mr Vinton said that the indicative offer is not a break-up bid and that he believed the business could be managed in its present form.

The offer is not conditional on acquiring 100 per cent control. It is believed the consortium would be comfortable with 75 per cent of the shares and for family members who wished to retain a stake to do so.



John Coleman: Likely to inject some razzmatazz

IN BRIEF

Still no deal on £3bn Grid

The National Grid Company failed again to reach final agreement on details of its £3bn flotation, expected to take place in December. An announcement expected last Friday was postponed because of tax-related "technical" issues raised by Hanson, the industrial group which has bought Eastern Electricity, one of the 12 regional electricity companies which owns the Grid. Industry sources hope for resolution of the problem by tomorrow.

Omnitel connects to \$1bn loan

Financial advisers to Italian cellular phone company Omnitel will today announce that the company's \$1.1bn syndicated loan has been oversubscribed, with a substantial share placed with foreign investors, including UK institutions. The financing will underwrite the roll-out of Omnitel's network, which will compete with the state telephone company Telecom Italia. Company executives declined to comment on the financing deal, saying that lead banks — including JP Morgan, Chase Manhattan, UBS and Societe Generale — would make an announcement today.

United nears USAir decision

United Airlines — one of the world's largest employee-owned companies — achieved record income in the third quarter and gave a bullish forecast of future growth that helped lift shares across the sector. The company is expected to decide within the next two or three weeks whether or not to bid for the rival carrier USAir, in which British Airways — headed by Sir Colin Marshall (right) — has a 24.6 per cent stake. American Airlines is also considering a bid for USAir, although reports from Washington yesterday suggested that American was close to a link-up with British Airways. BA described the reports as pure speculation, but admits talking to a number of airlines about expansion in the US should it sell its stake in USAir.



North West's Norweb stake now 44%

North West Water now owns or has acceptances in respect of 44.8 per cent of Norweb. The Government is due to decide by 3 November on whether to refer the bid to the Monopolies and Mergers Commission.

Currencies bounce back

There was a mild bounce-back by currencies hit by the flight to the German mark on Monday. The dollar closed in London up half a penny at 1.3873 and the pound strengthened by half a penny to close at 2.1925. The French franc improved two centimes against the mark to 3.5080. The dollar ended the day in London just above 100 yen.

Newspaper merger approved

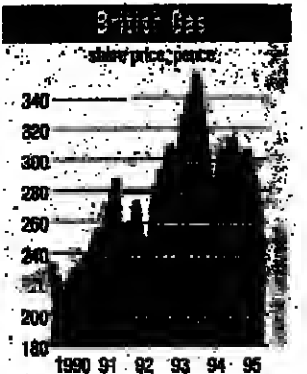
Independent Newspapers (UK), a wholly-owned subsidiary of Independent Newspapers plc, has been given government approval to acquire London Recorder Newspapers which owns nine local weeklies in the north and west of the capital.

Minister to intervene in £700m gas row

MARY FAGAN
Industrial Correspondent

The Government has pledged support for British Gas's efforts to renegotiate long-term contracts with North Sea producers, which are forcing the company to buy more gas than it can sell. Tim Eggar, Minister for Energy and Industry, said he could not take a direct role but would act as "moderator or facilitator" if asked, or "if I thought matters were getting out of hand".

Mr Eggar's statement at a seminar in London marks a significant change in his public stance on the contracts, which until now the Government has said were a matter for the industry. It comes amid mounting commercial pressure on British Gas, which by the end of this



year will have been forced to buy about £700m worth of gas which it cannot yet sell. Some City analysts believe that the figure will soar well beyond £1bn within a few years.

Mr Eggar said that the introduction of competition has

changed the underlying basis of these contracts, which were entered into when British Gas was a monopoly buyer and seller of gas throughout the UK. He said that extending competition to domestic customers, beginning next year, would put further pressure on the company.

"British Gas can no longer assume all the market risks of selling gas. In the industrial and commercial market, BG's share has fallen from virtually 100 per cent in 1990 to around 35 per cent today," he said.

Mr Eggar said that failure to renegotiate the contracts, which is being strongly resisted by some large producers, could have "wider implications for the development of the UK continental shelf".

The company was further embarrassed yesterday by a

survey which undermined its lack of popularity and showed that its public believes it gives poor value for money.

The Mintel survey showed that in the eyes of consumers, British Gas lags other household names in value for money and trustworthiness. It also falls behind in terms of being in touch with customers.

Mintel International said that the 1995 survey coincided with two negative news items for British Gas: the impending pay increase to Cedric Brown and the decision to allow discounts to direct-debit customers.

Boots, the high-street chemists, came top in four of the five categories. The only one it failed to win was the social and environmental awareness poll, topped by Body Shop.

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British Gas could ditch its awkward customers



'Shareholders should look hard at the justification for keeping this monolithic business intact. The parts may be worth more than the whole'

For British Gas, the drawback of serving most of the households in Britain is that there are few people without an opinion on the company, and most of it is unflattering. A Mintel survey yesterday confirmed that public esteem for Cedric Brown and his team is at a low ebb, which is hardly surprising after the hammering they have had over the last year.

The customer is always right, of course, but in this case British Gas has a perfectly simple way out of its public relations difficulty – get rid of the troublesome domestic customers altogether. Instead, the company could better serve its shareholders by concentrating on gas production, international expansion and the safe and cash-rich monopoly business of transmission.

This is not a fanciful notion. Indeed, it has already been and gone in the last few years, and looks like coming back again. A Monopolies Commission report in 1993 recommended divestment of the supply side of British Gas by 1998, which caused a storm of protest from Cedric Brown.

The Government overruled the commission and backed Mr Brown, but in return demanded that the introduction of competition to the domestic supply business be brought forward several years, to next year, when a pilot programme begins.

But the issue has not gone away. It has become clear that Richard Giordano, the chairman, sees the rejection out of hand of the monopolies recommendation to divest as a mistake. (He arrived after the event.)

Other gas suppliers, currently competing with British Gas in the commercial market, are convinced that selling the domestic supply side of British Gas will be put back on the agenda. Clare Spottiswoode, the gas regulator, finds nothing wrong with the idea, if the right buyer can be found. A split would make her job easier, since the relationship between the supplier of the gas and the organisation that transmits it around the countryside – the owner of the gas grid – would then truly be at arm's length.

British Gas has had approaches by energy businesses interested in acquiring parts of its regional gas supply network. An approach does not equal a negotiation, let alone an offer, and Mr Brown, gas enthusiast man and boy, is unlikely to want anything to do with the idea. Indeed, for British Gas to sell an isolated part of the supply business would be to shoot itself in the foot. In an era of deregulation, when any supplier can move into another's area, there is no point in helping competitors acquire billing systems that make them more effective predators. It makes sense to sell all or nothing.

To find a buyer for the whole supply business may not be easy as competition increases, as it undoubtedly will in the wake of gas supply deals such as that announced between Seaboard and Amoco on Monday – a partnership aimed at encroaching on British Gas markets. Demerger rather than a trade sale might be a better answer, though it would be hard to promote the

attractions of an independent supply business in the City until the marketplace has settled down and it is clear how many new competitors are entering the fray. Either way, British Gas shareholders should look hard at the justification for keeping this monolithic business intact. The parts may be worth more than the whole.

A harsh message for manufacturers

What on earth has happened to manufacturers this year that has caused the biggest fall in their confidence since the exchange rate mechanism fiasco? After all, for most of the year the economy has been growing above trend, exports have been buoyant and companies' coffers are full of cash.

The Confederation of British Industry says it is all due to the slower growth of orders. Domestic orders have actually fallen a bit in the latest quarter and export orders have slowed from the record a year ago. Perhaps manufacturers should look to the example of services, where output growth has remained above trend – up more than 3 per cent in the year to the third quarter. The reason is that in many services prices have been flat or falling.

Manufacturers have certainly not passed on all of the increases in the cost of imported raw materials they faced earlier this year. But they have increased output prices, even

though rises in labour costs – which are a much bigger part of the total – have been negligible. The fall in the pound has cloaked substantial increases in export prices.

The pace at which firms are raising domestic prices has slowed. Yet they are still hoping to achieve much bigger price increases during the next four months, despite their failure to push through their expected price rises in earlier months. The market is sending a message to manufacturers that hope to raise prices: it cannot be done without hitting orders and output.

There is more to the manufacturing slowdown than this price effect, since interest rate increases have achieved their aim of slowing the demand side as well. But where there is sustained, non-inflationary growth it is a fact that higher prices will also be penalised by lower demand.

The Pru won't find it easy to be a bank

The insurance industry has moved far more slowly into banking than the banks have moved the other way into insurance. One simple reason for this, which enthusiasts for Prudential's move into direct banking by telephone should remember, is that banking is capital-intensive and the clearing banks are generally much bigger and have a lot more capital than insurers.

This capital intensity is not because of the machinery and equipment – indeed telephone banking has got rid of the need for branches and cut some of the entry costs for newcomers – but because of the scale of the funds that central banks insist must be dedicated to supporting the basic business of banking. A big clearing bank must put up at least £8 of its own capital to back every £100 of lending, to ensure there is money available to pay depositors if loans go sour. A smaller start-up banking operation such as the Pru's may well have to find twice as much before the supervisors will let it loose on the public. That capital is expensive to service.

The Pru's immediate ambition seems to be to persuade customers for its maturing investment products to keep their money in the organisation by depositing it with the in-house bank. Whether customers will prefer to trust their savings to a little bank, even with the Pru's brand name, rather than a big clearer or building society is open to question. Short-term deposits are fickle and chase the best rates advertised in the Saturday personal finance columns.

Even if that works, for the Pru to move onwards to become a serious lending bank – with all the risks that brings – is of another order of difficulty altogether. The Pru's initiative is an interesting new development in the financial services marketing war. But the company has certainly not stumbled on the insurance industry's answer to Direct Line, Royal Bank of Scotland's devastating onslaught on the insurance markets.

Sharp fall in optimism prompts CBI warning

DIANE COYLE
Economics Correspondent

The biggest drop in business optimism since Britain tumbled out of the European exchange rate mechanism in 1992 confirms the slowdown in manufacturing, according to a Confederation of British Industry survey.

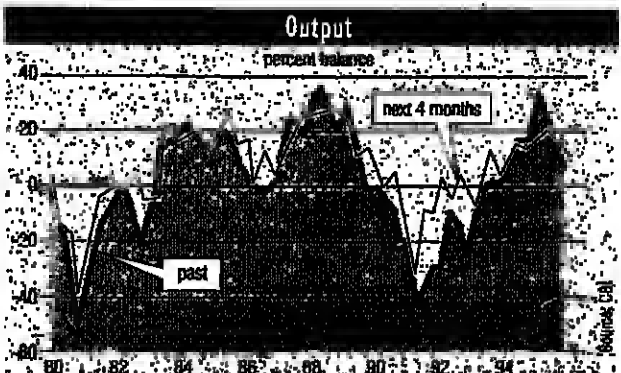
Andrew Buxton, chairman of the CBI's economic affairs committee, said: "The slowdown in growth indicated by the survey result is a warning signal."

The quarterly survey of industrial trends in manufacturing showed the balance of firms reporting higher output was the lowest for two years. New orders also increased at their slowest rate for two years. Investment intentions have fallen since last quarter.

However, Mr Buxton cautioned against over-reaction: "We are certainly not talking about a recession." Output and orders were still rising, with growing exports off-setting the dip in home demand. The conditions for sustained recovery were still in place, he said.

The CBI would nevertheless like to see rates to fall after the Budget. "We do not want a Budget that cuts taxes so much it puts upward pressure on interest rates," Mr Buxton said.

Andrew Smith, the Shadow



chief secretary to the Treasury, said: "The fact that the CBI survey shows businesses scaling back on investment suggests that the sustainability of the recovery will be hit."

The survey showed confidence has fallen for the second quarter in a row, with an especially sharp dip in big companies' optimism. The balance of firms reporting more optimism in July, Ian Shepherdson, an economist at HSBC Markets, said it was disappointing to see falling investment expectations.

Levels of stocks increased for the second quarter running. Mr Buxton said a stocks build-up could depress output in future.

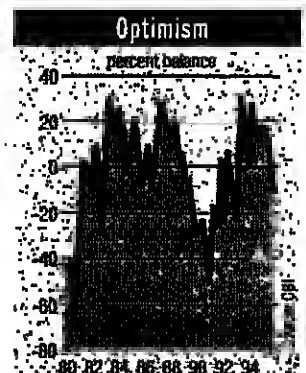
Employment in manufacturing rose slightly during the past three months, the first increase reported since mid-1989. However, companies expect the long-term fall in

higher export orders, down from record levels set earlier this year, and a negative balance of minus 3 per cent in the case of domestic orders.

Plans to invest in new plant and equipment remained positive, but have fallen back. A positive balance of 12 per cent of firms intend to spend more in the year ahead, down from 17 per cent in July.

The weaker-than-expected results led some City analysts to revive the case for lower base rates. Simon Briscoe, at Nikko Europe, said: "The Bank of England will be hand-pushed to whip up inflation worries after this survey. The case has now been made for policy-making over the next year."

The gilt market reacted favourably to the weak CBI survey, closing slightly higher. But trading was quiet in advance of today's £3bn auction.



employment to resume over the coming four months.

The survey brought better news on prices which rose at the slowest rate for a year, and by less than expected. The balance of firms that raised prices over those that cut them fell to 9 per cent from much higher levels earlier in the year.

The weaker-than-expected results led some City analysts to revive the case for lower base rates. Simon Briscoe, at Nikko Europe, said: "The Bank of England will be hand-pushed to whip up inflation worries after this survey. The case has now been made for policy-making over the next year."

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Boddington chief due for £500,000

RUSSELL HOTTEN

Alan Smith, managing director of Boddington, is in line for a pay-off of more than £500,000 after four months' work at the pubs-to-oursing homes group.

He is expected to leave following the completion next month of Greenalls' £518m agreed takeover of Boddington.

Hubert Reid, chairman of Boddington, is to become non-executive director of Greenalls, but the company says it has not made a decision on the future of the other directors.

However, Mr Smith, and the finance director, Alan Rothwell, are not expected to stay.

Greenalls will have to honour existing contracts, and its offer document says it will buy out all unexercised share options.

This means directors and employees could collect up to £8m, with Mr Reid due to receive about £1.4m.

Mr Smith moved to Boddington in June from Kingfisher's DIY chain, B&Q, where he was managing director, to bring some retail experience to the pubs group.

He is paid £165,000 a year and has a two-year contract, and will also cash in under a bonus scheme linked to Boddington's financial performance.

Under the executive share option scheme, Mr Smith holds 129,411 options at 22p, though they would not normally be exercisable until 1998. At Greenalls' bid price of 412p a share, the options are worth £203,000.

Greenalls' offer document says: "If the offer becomes unconditional, Greenalls intends to make appropriate proposals to participants in the Boddington share option scheme in respect of options which remain unexercised."



A profitable four months: Alan Smith, managing director of Boddington

about 500 jobs are expected to be lost at Boddington under Greenalls' plan to close four offices in the Warrington area and

half the 44 wholesale depots in North-west England. The plan is to save about £18m a year.

In addition to paying the £8m or so to buy out the Boddington options, Greenalls faces reorganisation costs of about £23m. Mounting the bid will cost about £16m.

Both groups, whose combined value will be about

£1.5bn, disposed of their breweries as the industry restructured following the Monopolies and Mergers Commission report in 1988.

They have made good profits thanks to the over-supply of brewing capacity. But the merger is necessary to maintain the pubs' purchasing power as the brewers rationalise capacity.

Managers pay £55m for Golden Wonder

NIGEL COPE

Golden Wonder, one of the UK's best-known brands of crisps, has been sold to its management for £54.6m. The deal includes the Wotsits, Nik Naks and Wheat Crunchies brands as well as those sold under supermarket own labels.

The buyout of the Golden Wonder snacks business is being backed by Legal & General. Ventures and led by Clive Sharpe, formerly a director of Golden Wonder and chief executive of Homepride Foods.

Once a powerful force in the snacks business, Golden Wonder has been struggling in the so-called "crisp wars" where Walkers, part of PepsiCo and KP, owned by the beleaguered United Biscuits group, are the dominant players. The increasing buying power of the supermarket groups whose own-label crisps have been taking share has added to the squeeze.

The industry has been plagued by over-capacity and a price war that saw the price of a supermarket six-pack of crisps fall to just 29p at one stage last year. Golden Wonder made profits of £9m on sales of £150m in the year to June and had net assets of £72m.

The sale completes Dalgety's disposal of its consumer businesses, which were put on the block in February. This followed the company's £700m acquisition of the European pet food businesses of Quaker Foods. Dalgety has raised £293m from the disposal programme. It had already sold Homepride snacks for £58m and the Pot Noodles hot snacks business for £180m.

Dalgety shares rose 5p to 422p.

One-stop advice: Minister rejects criticism as Business Links prepare to expand to 240 offices

Small business help network goes national

PETER RODGERS
Business Editor

The Government has raised its target for new Business Links offices – one-stop advice centres for small businesses – to at least 240 to be open by next March.

Richard Page, the small firms minister at the Department of Trade and Industry, said the project was now ready to be put on a national footing as a network, with coverage through the whole of England.

Mr Page, in an interview with the Independent, rejected criticism of the effectiveness of Business Links as "unfair and impatient", because so few of the 140 offices now set up had been fully commissioned for more than a year.

Those that had settled down, such as the Birmingham Business Link, were producing "superb" stories about their help to business locally.

"We certainly have not got 140 fully up to speed delivering every service to the efficiency we would want to see. Some have just opened their doors and London is not even up and running," Mr Page said.

He wanted the service to be operating nationally and working to high common standards before critics should be allowed to make judgements about performance.

Mr Page promised there would be strict monitoring of service standards. The DTI also planned to employ "mystery shoppers" posing as small business managers to test Business Links offices.

The Business Links began with a small number of pilot projects in 1993, building to 100 offices this spring. The current total of 140 is expected to expand by another 100 by the end of the financial year. Earlier this year the DTI estimated that the number would reach 200 by the end of 1995.



Setting the pace: Richard Page (right) praises Birmingham Business Link, where Alan Dow has 8,000 clients

The Links offices, and the similar enterprise networks in Scotland, are designed to provide a single retail outlet for all the DTI's services for small business, as well as those of the Chambers of Commerce, Training and Enterprise Councils, local authorities and other regionally based organisations.

They are aimed at start-up business and existing firms that are expanding. The target market is firms with at least 10 employees. Until recently, small businesses have had to go to a confusingly large number of sources for help and advice.

The TECs and other bodies involved are acting as partners with the DTI in the individual Business Links. But in some areas there are reports of serious teething troubles, such as disagreements over demarcation lines between the new offices and the older organisations that originally provided some of the services.

Chambers of Commerce say Business Links should be regarded as retail outlets for small firm support services and should not take over a wider role as representatives of local finance.

Mr Page said that because of the embryonic state of many of the Business Links, the DTI had held back from a national campaign to promote the service, and marketing had been done only at a local level where individual offices were up and running.

The national launch of the service is to be announced next Tuesday in a presentation at the Queen Elizabeth II conference centre in London by Ian Lang, President of the Board of Trade.

The Business Links will employ at least 600 personal business advisers and about 200 specialists, including about 80 export advisers, of whom eight are already in place. The other



Setting the pace: Richard Page (right) praises Birmingham Business Link, where Alan Dow has 8,000 clients

advisers will have expertise in design, innovation and technology and Mr Page said he wanted the Business Links to work closely with clearing banks and other local sources of finance.

He also wanted them to become increasingly independent of state aid, by charging for their services: "I want them to be businesslike."

The DTI predicts that the total turnover of the Business Links offices will be about £100m a year by 1998-99, of which 20 to 25 per cent will be fee income from small firms – a proportion Mr Page wants to increase in subsequent years.

Earlier this year, the DTI announced an extra £100m of funding for government advice services to be delivered through Business Links, spread over four years from the 1995-96 financial year.

The Birmingham Business Link, one of the pilot projects,

now has turnover of £7m, of which about 25 per cent is already in the form of contributions from clients rather than the Government.

Birmingham has 130 staff, of whom 26 are employed directly. The rest are advisers operating under contract and staff seconded from Tecs, Birmingham City Council, the Chamber of Commerce and the West Midlands government offices.

Alan Dow, chief executive of the Birmingham Business Link, said that with 8,000 clients, the organisation had reached the stage where it could in theory even be privatised and survive, though that would restrict the range of services to those that were economic on a fee-charging basis.

Other services the government is keen to see provided to small businesses on a subsidised basis might have to be dropped if the organisation were to be fully self-supporting.

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INSTRUMENTS FOR PROFESSIONALS

THE INVESTMENT COLUMN

Edited by TOM STEVENSON

Wolseley profit tap springs leak

It is a shame that Jeremy Lancaster, who has been crying wolf for as long as anyone can remember, looks like having his eternal pessimism proved right in his last year as chairman and managing director of Wolseley.

The Eycare of the building materials sector, he regularly accompanies stunning profits growth with a warning that it cannot last.

This year, however, he was unequivocal – profits at the world's leading plumbers merchant will be no higher in the year to July 1996 than they were in the period just reported.

His gloomy prognosis, hardly a surprise at the end of what has been a pretty dismal reporting season for all the building groups, took the shine off otherwise impeccable figures. Profits jumped 21 per cent to £245.4m, struck from a 16 per cent increase in sales to £3.78bn. Earnings per share of 25.4p allowed a well-covered dividend of 9.8p, both figures 17 per cent higher than a year ago.

Looking ahead, the problems are across the board. At home, trading, which picked up before last Christmas, fell away sharply in the final quarter of the financial year. The French housing market failed to revive after the presidential elections, while growth in Austria slowed and competition increased since the country joined the European Union in January.

Similar trends emerged in the US, where Wolseley has built a sizeable chain of 368 plumbing and heating supply outlets and 76 lumber depots. After a strong first half, growth tailed off worryingly in the second six months.

That is the bad news. The good is that Wolseley enters what it believes is only a pause in growth in exceptional shape financially. Gearing of 13 per cent is inconsequential, which means it can continue to bolster flat underlying markets with growth through acquisitions. Cash flow is strong and return on capital employed an impressive 20.2 per cent.

On the basis of flat forecast profits this year of £240m and £266.5m in the 12 months to July 1997, the shares stand on a prospective price/earnings ratio for calendar 1996 of just over 12. That compares with a sector average of 11, a 10 per cent premium that is maintained in 1997 when Wolseley's rating of 11.1 times earnings compares with the building sector's 9.8 times.

That premium rating is probably justified given Wolseley's remarkable record over the years and after a 20 per

cent share price decline since March 1994, the shares look safe enough. With three top directors due to retire at the same time next July, however, it would be surprising if the market didn't hold fire for a while. Unexciting.

Warning signs at McKechnie

McKechnie has had the look of a well-oiled machine of late, shifting deftly out of metal bashing and into plastics and consumer markets such as curtain and shower rails. Profits have been boosted by a recovery in demand in many of its markets combined with the fruits of an acquisition spree over the past two years – two large deals followed by eight smaller purchases have kept the momentum going.

The share price has risen accordingly, more than doubling from 192p in 1990 to more than 454p, justified, at first glance, by yesterday's results that looked like more of the same. Pre-tax profits were up 28 per cent to £45m on sales up a similar amount to £32m.

Linrad, the fasteners group ac-

quired for £26m last year, made its first full-year contribution of £5.6m and the plastics division performed strongly with profits up from £4m to £14m.

But there are some warning signs. The company said it had noticed a "pause in demand" in the current financial year which may lead to slower growth in the first half. Perhaps more worrying is the sharp setback in the Australian housing market where McKechnie has some exposure.

In addition, McKechnie still achieves half its sales and more than half its profits in the UK, where a recovery in the housing and consumer markets is proving elusive. McKechnie's consumer products division includes businesses in curtains, blinds and shelving as well as door furniture where it supplies B&Q. This leaves the company exposed to the weak housing market which has already hit the DIY retailers hard.

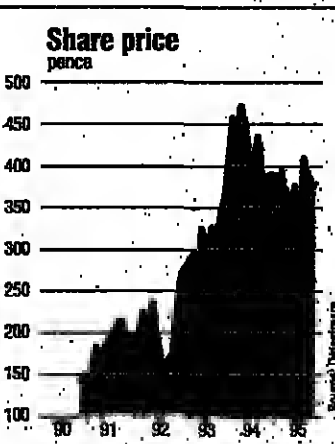
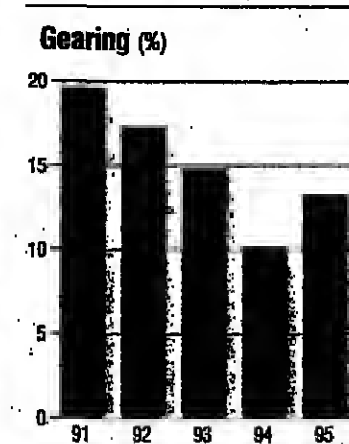
The company plans to redress the balance with further growth in Europe and North America. Evesco, the warning was enough to knock 12p off the shares, which closed at 442p.

NatWest Securities is forecasting profits of £51m this year, putting them on a forward rating of 12.

Wolseley: at a glance

Market value: £2.07bn, share price 376p

Five-Year record	1991	1992	1993	1994	1995
Turnover (£bn)	2.5	1.95	2.48	3.25	3.78
Pre-tax profits (£m)	80.3	91.3	121.1	202.3	245.4
Earnings per share (pence)	13.2	18.2	18.8	25.4	25.7
Dividends per share (pence)	6.1	6.3	6.7	8.4	9.8



That is not demanding but, with the outlook for the UK economy uncertain and the picture in Australia equally cloudy, there is little reason for the shares to move any further ahead. High enough for now.

'Pubs for nice people' do nicely

It is hard to imagine why anyone would want to drink in a place marketed under the sign "Unspoilt pubs for nice people" but the rapid growth of Tom Cobleigh, the Yorkshire and East Midlands pub operator, suggests the company's food-focused, family offering is pulling the customers in.

Very much a child of the Beer Orders' transformation of the British pub market, Tom Cobleigh is coming to the market next month with a plan to raise £22m. It has grown fast since foundation only three years ago, and now boasts 46 managed pubs, under the Tom Cobleigh brand and 36 tenanted sites, trading as The Nice Pub Company.

Typically large, out-of-town sites with large car parks, the pubs are based on the premise that food sells beer and they generate more than a third of turnover from the sale of meals, well above the average for Britain's 63,000 pubs. An ambitious opening programme should see up to 18 pubs a year added for the foreseeable future.

Rapid growth has been reflected in fast-growing profits, which have grown from a £52,000 loss in the year to March 1993 to a profit of £1.6m from sales of £14.8m in the latest full year. In the six months to the end of September, profits jumped again to £1.04m from sales of £9.5m.

The company sets great store by staff training and has an imaginative approach to motivation, including cash bonuses for appropriate responses to staff observations dropping into other pubs posing as customers. The success of the formula is reflected in strong growth in turnover per pub and return on capital.

If Cobleigh is half as successful as JD Wetherspoon and Regent Inns, shareholders will be well rewarded. It is encouraging that EAC, the venture capital backer which will own 50 per cent of the shares after flotation, is holding onto its stake after first dealings on 23 November. Worth looking at when the price is announced.

Simon Pincombe CITY DIARY

True love and bubbly at a special Virgin price

A Virgin long-haul crew quakes in its boots knowing that the bearded one will shortly have their guts for garters. There has been the most appalling mid-air blunder and Richard Branson is about to go ballistic.

What was surely a rare chance to impress turned into a public relations disaster when Nick Bernheim, a Los Angeles screenwriter, boarded Virgin's Dallas to London flight with his girlfriend, Elizabeth Utz. Doubtless impressed by the legroom ("if your feet touch the seat in front you're on the wrong plane") Mr Bernheim was overcome with a strong desire to propose marriage.

Mrs Elizabeth Bernheim (screenwriters know how to woo) takes up the tale. "It was kind of nice," she says. "It is my first time to Europe and I was watching cartoons or something when Nicky suddenly proposed. I started crying. I guess, and the women next to us heard it all and told the steward."

So far, so good. The captain duly relayed the engagement over the cabin radio and there followed a thunderous ovation throughout the fuselage. A Virgin steward was dispatched to the happy couple with half a bottle of champagne. The moment was complete. Well, that is until the steward reappeared with a bill for £4.95 and presented it to the startled woman in the next seat. "We were just so embarrassed," explains Mrs Bernheim from her honeymoon suite in Paris. Neither would the romantic accept reimbursement.

The casting of the film of the Barings disaster is proving to be trickier than at first thought. Our sources in the Frankfurt slumbers report that Nick Leeson, architect of the £1bn brouhaha, is not happy at the suggestion of Hugh Grant for the lead. For that matter he is not wild about Miranda Richardson in the supporting role of his beloved wife, claiming that she is too old.

The actor Mr Leeson thinks will best portray him is Nick Berry, the saturnine former *Eastenders* star. As for the role of Ms Leeson, we are happy to screen hopefuls for a fee.



Branson salute: that'll be £4.95 please! Photograph: PA

A stiff letter is on its way to the master balloonist.

Still, the Virgin incident could pale into insignificance compared with the expected passenger revolt at KLM. Royal Dutch Airlines introduces a smoking ban on all its European flights on 29 October. According to Bureau Voorlichting Tabak, a not-entirely-unbiased tobacco lobby, this will result in a quarter of all Dutch passengers switching to another airline. KLM is unbowed, claiming that its non-smoking policy will attract more passengers than it loses. Probably from Virgin.

Tomorrow sees the launch of the keenly awaited *Corporate Strategies of the Top 100 UK Companies of the Future*. Published by McGraw Hill.

The seminal work has been compiled by the Corporate Research Foundation, working in cahoots with a platoon of *Financial Times* hacks. It was due out in April.

The surprise among the predictable entries – Marks & Spencer, British Airways, Glaxo Wellcome and Rentokil – is Davies Arnold Cooper, the law firm best known for working with victims of the Piper Alpha disaster, the Hillsborough tragedy and the Bradford football stadium fire. Led by the never knowingly undersold David Mackintosh (he of the Oxford Union debates et al), the firm now boasts annual fee income of £30m.

The burning question is why the delay in publication? Some have suggested that it was to allow further research on Pearson. Unhappily the FT owner is still out included.

Seen in the window of the Nextstep employment agency in London's Coopers Row: "Russian-speaking PA to MDir of Russian Oil company, SW1 – £16K. Free bottle of vodka to 1st applicant to walk thru the door."

Reecs could be forced to split up

MARY FAGAN
Industrial Correspondent

Offer, the electricity watchdog, warned that the regional electricity companies might in future be forced to split their supply operations – in which they sell to the customer – from the distribution of electricity over the wires. Professor Stephen Littlechild, director-general of Offer, said he would consider such a separation in preparation for competition in the domestic market in 1998.

The threat to the fundamental structure of the industry emerges in Professor Littlechild's response to the recent re-

port from the Trade and Industry Select Committee on the electricity sector.

Professor Littlechild said: "In the context of the 1998 discussions I shall be considering whether to take further steps to require the greater separation of the Reecs' distribution and supply activities. It would be open to me to make reference to the Monopolies and Mergers Commission if I were to conclude that the present position is against the public interest."

The regulator's comments come at a sensitive time in the industry, which is in the throes of a wave of takeovers. Bids for three regional firms have suc-

ceeded in recent months and planned acquisitions by North West Water, National Power and PowerGen are awaiting regulatory clearance.

Any sign that Professor Littlechild is considering radical changes in the businesses of the regional companies could be seen as a deterrent for further bids. Investors in the industry are still snarling from his unexpected decision earlier this year to re-open price controls agreed only months previously.

The responses to the Select Committee also show that the Government may consider merging the gas and electricity regulators, Ofgas and Offer,

after 1998 when domestic competition in both markets is in place. But the Government stresses that there is no case for a merger until that time and also rejects the suggestion that a regulatory panel, rather than an individual watchdog, would be more effective in each industry.

The Government also attacks the committee's call to impose a duty on regulators to give reasons for the decisions they make. "The Government eschews unnecessary regulation. It therefore sees no need for a formal requirement [for the regulators] to do what, as a matter of good working practice, they do already."

The investigation is continuing. Gemina's share price, which had stood at £908 at the time of the merger announcement, has dropped in the past six weeks to about £600 – creating serious antitrust problems in the ant and bolts of the merger. A temporary postponement had already been announced a week ago.

Scholl board scrapes through in vote called by rebel shareholders

DAVID HELLIER

The board of Scholl, the health-care products group, narrowly survived a crucial vote called by rebel shareholders at an ill-tempered extraordinary meeting yesterday.

The meeting was called by a group of dissident shareholders who want the company to sell itself and who proposed that three of their representatives should replace three current board members.

The dissident shareholders won 41.9 per cent support for the resolution that would have led to the new board appointments and 40.5 per cent of the vote for the one that would have resulted in the three board members being deposed. Both votes required a majority.

Gordon Stevens, chairman, started the meeting by calling for questions on the resolutions and then tried to stymie Brian Myerson, a director of the UK Active Value Fund and one of the rebel shareholders, when Mr Myerson said peace talks held before the meeting had broken down due to the "intransigence of the board".

Mr Stevens told him a broad-ranging speech was not appropriate for the meeting, before giving way to him on condition he did not give "a long tirade", and that he kept to the narrow subject of the resolutions.

After a couple of minutes of heated exchanges between the two men another shareholder declared: "Mr Myerson's re-

marks are entirely appropriate. You ought to hear the debate."

Mr Myerson, encouraged by this, said the board had been vehemently opposed to establishing whether the business would be worth more if it were sold to a third party. Its structural fault was its high distribution costs.

Mr Myerson said the board's behaviour had been questionable. "Why concentrate on personal attacks on ourselves, with the hiring of private investigators? We are not going away, we will intensify our campaign," he promised.

After Mr Myerson sat down, Julian Tregier, his colleague and fellow director of the UK Active Value Fund, took to the floor and immediately clashed with the Scholl chairman over whether Mr Stevens had earlier confirmed to him that he had received takeover approaches.

"I would not have talked to you about something like that under any circumstances," Mr Stevens fired.

"I attempted to explain to you that I found your analysis superficial in the extreme. Please do not put words into my mouth," he added. "I am sick and tired of these innuendoes you and your group describe."

Mr Tregier said he and the fellow dissident shareholders, who own just more than 15 per cent in Scholl, cared very much about the company. "We have a £23m investment, far larger than yours," he told the board.

The UK Active Value Fund's



Stormy meeting: Gordon Stevens, chairman of Scholl

average purchase price is believed to be under 170p a share, so it is showing a healthy profit so far. Yesterday Scholl shares closed down 5p at 210p.

It emerged yesterday that the Scholl board had made last-minute attempts to cancel the meeting by alleging there was a technical problem with the resolutions that prevented them from being put to the meeting.

A lawyer for the rebels said he was contacted by the company 22 hours before the meeting and told there were legal objections to the resolutions. The UK Active Value Fund then arranged for a meeting with a judge in the Company Court to try to get a mandatory injunction to force the board to put the resolutions to shareholders, when the board backed down.

After the meeting the Scholl chairman said he hoped the management would be allowed to drive forward the company's strategy without further cost and distraction. Mr Stevens said during the meeting that the rebel shareholder affair had cost the company about £500,000 in additional costs.

One board director said it had taken up 14 hours a day for seven weeks.

In spite of the rebels' defeat, the board will continue discussions with JO Hambro & Partners with a view to appointing a non-executive director.

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Montedison-Gemina merger collapses

ANDREW GUMBEL
Rome

Italy's most ambitious merger plan in years, the creation of a giant industrial conglomerate through the fusion of the loss-making Montedison-Ferruzzi group with the holding company, Gemina, has collapsed following the launch of a judicial

investigation into Gemina's accounting practices.

In a severe blow to the prestige of Italian business leaders involved in the deal, including Gianni Agnelli, chairman of Fiat, Gemina announced late on Monday night that it was postponing the merger indefinitely because market conditions were not right.

At the same time, Montedison's financial arm, Ferfin, announced it was seeking more than £1,000bn (£351.4m) in new capital – a signal that it was already looking for other solutions to its debt problems.

The decision to create Italy's second-largest industrial conglomerate, producing everything from chemicals to encyclopedias, caused a sensation when it was announced in September because it had been negotiated in secret and concentrated considerable power in the hands of a few players – among them Mr Agnelli and Enrico Cuccia, the 87-year-old honorary chairman of Mediobanca, the merchant bank.

The deal was never popular with smaller shareholders, who considered they had been used as pawns in a high-level power

game, and raised eyebrows among international investors who questioned the wisdom of creating a loss-making behemoth when large conglomerates are going out of fashion.

The severest blow came two weeks ago, when Milan magistrates announced they were placing 10 senior Gemina executives under investigation for irregularities, including an £800bn hole in the accounting figures for the past 18 months.

The investigation is continuing. Gemina's share price, which had stood at £908 at the time of the merger announcement, has dropped in the past six weeks to about £600 – creating serious antitrust problems in the ant and bolts of the merger. A temporary postponement had already been announced a week ago.

COMPANY RESULTS	Turnover £	Pre-tax £	EPS	Dividend
Bocconi International (I)	33.7m (23.1m)	5.48m (3.75m)	13.2p (10.8p)	1.82p (1.37p)
Prosepp (F)	1.86m (1.1m)	0.1m (0.07m)	0.7p (0.7p)	nil (1)
Magellani (F)	10.6m (8.41m)	-1.34m (4.01m)	-30.2p (-5.23p)	nil (nil)
Montedison (F)	533m (400m)	45.3m (35.3m)	33.9p (27.1p)	11p (8.75p)
Scandale Milano (F)	18.9m (16.3m)	8.52m (11.3m)	5.91p (8.82p)	2.5p (2p)
Siti Industri (F)	6.44m (6.27m)	0.97m (0.87m)	5.8p (4.8p)	2.0p (nil)
Wolseley (F)	3.78bn (3.25bn)	245m (202m)	25.7p (25.3p)	9.8p (8.3p)
Yorkshire (I)	11.2m (9.22m)	2.05m (1.70m)	13.2p (11.4p)	2.65p (2.4p)

(F) - Fiat (I) - Italian (I) - Nine months

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TAKING STOCK

Takeover spotlight turns on vulnerable CE Heath

MARKET REPORT
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FT-SE 250
3,904.8 -7.7

FT-SE 350
1,759.4 +0.8

SEAQ VOLUME
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27,032 bargains

Gifts Index
92.57 -0.10

SHARE SPOTLIGHT

Share price, pence

There is a growing suspicion that CE Heath, one of the City's hard-pressed insurance brokers, is set to become the subject of corporate activity. The sadly neglected shares suddenly came to life, climbing 8p (after 11p) to 158p in, for what has become a tired and wilting stock market, constant, busy trading.

They are still seriously close to their low. Their high, 517p reached four years ago, is but a distant memory for long-standing shareholders.

The group has been hit by tough trading in the insurance market, the Lloyd's of London disaster as well as falling public confidence in the life and pensions industry.

It is clearly vulnerable to a takeover strike, with an overseas group the most likely predator. James Capel, putting a break-up value of 240p on the shares, helped stake up bid hopes.

But it is the feeling that the first signs of a revival are detectable at the battered broker which has created the current round of interest. And if the dividend is held, as some expect, the shares are returning more than 13 per cent.

Heath has been cutting its overheads and drawing in much-needed cash through asset sales. On Monday it realised £16m from its 50 per cent holding in a Hong Kong group.

Earlier, it unloaded an Australian interest for £24.7m.

There are suggestions its teletext broking operation is making unexpectedly strong headway, but it is the possibility Heath is edging closer to floating its computer side that could provide the main impetus. In current market conditions its Datastore and Peterborough Software offshoots could command a rich price.

The rest of the market simply went through the motions

awaiting today's £3bn government stock auction but, nevertheless, appreciating the rather calmer conditions in the foreign exchange markets and a firm New York opening. The FTSE 100 index moved narrowly, ending 3.8 points higher at 3,535.3.

Glaxo Wellcome followed Monday's upsurge with an 8.5p (after 22p) gain to 857.5p. Drug second-liners were back in demand, with Celltech and Oxford Molecular sought-after.

Banks also had their fans, with Merrill Lynch said to be positive. The latest US takeover excitement contributed, helping to lift already heavy

estimates of the cash inflow National Westminster Bank will achieve from the planned sale of its American banking side. NatWest gained 14.5p to 651.5p. Standard Chartered, up 14p at 499p, also gathered support on revived takeover gossip and Bank of Scotland edged forward 2.5p to 258p.

Prudential Corporation's planned move into direct banking did not, as might have been expected, have an inhibiting impact on the sector. Indeed, it prompted thoughts BAT Industries could feel the need to round off its financial side with a banking buy.

T&N was ruffled by more asbestos worries, skidding 6p to

160p. Holiday Chemicals, meeting analysts, rose 8p to 194p. Caradon, the building materials group, was heavily traded, sticking at 198p.

Northern Foods again edged forward. The shares improved 2p to 186p in often brisk trading. The group, which has found trading difficult, has met City investors but the nagging feeling that corporate action lurks is continuing to influence the price.

Acorn Computer gained 5p to 158p and Magnum Power, reflecting a new patent for protecting computer data if there is a power failure, jumped 26p to 142p.

Magnolia, a loss-making picture frame group, plunged 11p to 29p as Northampton Acquisitions bid 27p a share. The offer is already past the post, with shareholders representing 58.47 per cent of Magnolia accepting.

Northamber, a distributor of

computer hardware and software, jumped 16p to 211p. Hopes are riding high the group will produce a sharp profits improvement. There has been market talk sales are running significantly ahead of budget and Tim Steer at Merrill Lynch is looking for half-year profits, due in December, of £1.4m, up from £500,000 last year.

First Leisure Corporation blissfully ignored the NatWest Securities profit downgrade, gaining 5p to 328p.

Middlesex, which has announced a joint venture with KIZ to cover exploration of its Nevada properties, is expected to strengthen its board today with a significant appointment. The shares held at 8.25p.

Millgate returned to market at 19p with the nil-paid shares moving from 5p to 7p. It has been the subject of a reverse takeover.

Plantation & General, formerly called Chillington Corporation, edged forward 3p to 60p. Interim figures are due tomorrow. They are expected to show a sharp advance on last time's £271,000. But the results could be accompanied by an announcement that the group has sold a 1,000-hectare property in Indonesia for approaching £10m. Most likely buyer is the Indonesian government. P&G has been reshaping earlier this year it floated its Langdon Foods offshoot.

The signalled takeover bid for Casart, the deeply troubled cycle maker, should soon materialise. The offer, from another quoted company, is likely to be around last night's 7p close. The group suffered losses of £12.3m, largely due to problems at its German offshoot, which went bankrupt earlier this year.

SHARE PRICE DATA

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding exceptional items.

Other details: W = Ex-dividend; E = Dividend; U = Unlisted Securities Market; S = Suspended per Parity Paid per Nil Paid Shares.

THE INDEPENDENT INDEX

The index allows you to access real-time share prices by phone from Seaq. Simply dial 0891 123 333, followed by the 4-digit code printed next to each share. To access the latest financial reports dial 0891 1233 followed by one of the two-digit codes below.

FTSE 100 - Real-time	00	Stirling Rates	04	Privatisation Issues	36
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Call cost 30p per minute (cheap rates), and 47p at all other times. Call charges include VAT.

MARKET LEADERS: TOP 20 VOLUMES

Stock	Vol/1000	Stock	Vol/1000	Stock	Vol/1000		
Caradon	24,000	BT	8,000	Standard Chartered	8,500	Media & Space	5,100
Glaxo Wellcome	18,000	Bank Ind.	7,400	IBP	8,500	Pella Royce	4,000
BT	15,000	ASDA Group	7,200	LA&SD	5,000	Yorkings	4,000
British Steel	14,000	Smiths Dispens	7,000	Prudential	6,600	Millgate	4,000
Shell	10,000	British Gas	6,000	Timberhouse	5,200	Albany National	4,500

FT-SE 100 INDEX HOUR BY HOUR			
Open 3527.0 down 4.5	11.00 3534.4 up 2.9	14.00 3537.0 up 5.5	
09.00 3540.0 up 8.5	12.00 3535.5 down 2.0	15.00 3534.0 up 3.4	
10.00 3536.3 up 4.8	13.00 3532.0 up 0.5	16.00 3533.0 up 2.3	
		Close 3535.3 up 3.6	

FT-SE 100 INDEX HOUR BY HOUR

Open 3527.0 down 4.5	11.00 3534.4 up 2.9	14.00 3537.0 up 5.5
09.00 3540.0 up 8.5	12.00 3529.5 down 2.0	15.00 3534.9 up 3.4
10.00 3536.3 up 4.8	13.00 3532.0 up 2.5	16.00 3533.8 up 2.3
		Close 3535.3 up 3.8

BANKS, MERCHANT	ENGINEERING VEHICLES
BANKS, RETAIL	EXTRACTIVE INDUSTRIES
DIVERSIFIED INDUSTRIALS	INVESTMENT COMPANIES
BREWERIES	INVESTMENT TRUSTS
ELECTRICITY	LEISURE & HOTELS
BUILDING/CONSTRUCTION	FOOD MANUFACTURERS
ELECTRONICS	GAS DISTRIBUTION
BUILDING MATERIALS	HEALTH CARE
CHEMICALS	HOUSEHOLD GOODS
DISTRIBUTORS	INSURANCE
	INTERNATIONALS
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OIL EXPLORATION	TELECOMMUNICATIONS
OIL, INTEGRATED	RETAILERS, FOOD
OTHER FINANCIAL	TEXTILES & APPAREL
OTHER SERVICES	RETAILERS, GENERAL
PHARMACEUTICALS	TOBACCO
PRINTING & PAPER	TRANSPORT
LIFE ASSURANCE	SPIRITS, WINES & CIGARS
MEDIA	SUPPORT SERVICES
PROPERTY	WATER
GOVERNMENT SECURITIES	RIGHTS ISSUES
	RECENT ISSUES

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John Life (Global Manager) \$1	813.2	845.5	Sum Life Equity	1348.3	1882.0
J Rothschild St James Manager	161.6	177.5	Sum Life Manager	849.6	999.5
Lawrence Capital UK Ind Acc	232.0	307.3	Sum Life/Can Century Equity		139.7
Lawrence Manager SS	571.9	602.0	Sum Life/Can Century Manager		126.6
Lawrence UK Equity	487.3	512.9	Sum Life/Can Equity		676.0
Legal & Gen Equity \$2	1245.5	1311.1	Sum Life Manager		413.8
Legal & Gen International \$2	620.2	690.9	TSS Equity		422.2
			TSS Manager		420.4

RAPID RACES

صبرنا من الازل

Bad blood over Halling drug use

Britain's horses will clear quarantine here this morning with their Breeders' Cup elixirs established: Halling will run on Lasix, Lake Coniston on carols.

The former's reliance on the drug for the first time in his racing career at Belmont Park on Saturday will upset the traditionalist back in Blighty. But the harsh reality of New York is that the colt needs medication and a substantial head start if he is to make a race of the Classic with Cigar.

The thought that Cigar's uninterrupted sequence of 11 victories is about to be terminated is not even a speck in the collective mind of the locals. If pushed to look beyond a winner they suggest Peaks and Valleys will beat Halling for the runner's-up vacancy.

Given its vernal reputation, it is something of a surprise that New York took until last month to open itself up pharmacologically in time with the rest of racing America. As Cigar has had more pins in him than a porcupine (he runs on both Lasix and Bute), the men behind Halling insist their horse must do the same if he is to compete with any great significance.

Simon Crisford, the racing manager of Godolphin, Halling's owners, admitted yesterday that the chestnut needed Lasix for more than a morale

Richard Edmondson reports from New York on the move to bolster Britain's main hope in the quest for the Breeders' Cup Classic

injection for his supporters. He has burst blood vessels in previous races. The maxim Godolphin are using is that when in Rome do as the Romans do. But back in Britain, where the drug is banned, the mood seems to be that two wrongs do not make a right. David Pipe, the Jockey Club spokesman, said

RICHARD EDMONDSON
NAP: Fantasy Racing
(Yarmouth, 2.00)
NB: Widens Dream
(Yarmouth, 3.10)

yesterday: "If trainers feel they must use medication in the United States there is little we can do about it. If they think it helps them achieve a level playing field that is their decision, but the United States stands alone in their use of these drugs."

If ethics can be tipped into a skip, however, (and the Breeders' Cup prize fund tends to provide a stirrup in this matter) the statistics show Lasix works. Last year the first six in the Classic had each been rubbed with a swab before competition and the pattern in New York since medication was brought in has

been of improved performance. Horses seem to achieve a new level on the drug, particularly after the early administration.

Halling will need this boost, especially as his team now seem uncertain that he will adapt to the dirt surface. It was thought that Dubai's all-weather champion would cross over with simplicity to the Belmont track, but that opinion has changed slightly on inspection of a course that was so badly flooded on Saturday that racing had to be abandoned. Halling is generally a 5-2 chance, with Cigar on 4-6.

Much of the early information at the Breeders' Cup is disseminated in great *Letter To Bred* style through the laticed fence of the quarantined compound. Geoff Lewis entered the quarters yesterday with the information that his Lake Coniston would be the beneficiary of another drug, the anti-inflammatory substance Bute, in the Sprint. "He's had a long, 15-hour journey and he might be a bit stiff so you have to take all the advantages," the trainer said.

Lewis, though, seemed to place more emphasis on the contents of the carrier bag he had filled at a Garden City supermarket that morning. Inside was Lake Coniston's favourite feed, a bunch of carrots.



Back to Lasix: Halling will have pharmaceutical help when taking on Cigar on Saturday Photograph: George Selwyn

permarket that morning. Inside was Lake Coniston's favourite feed, a bunch of carrots.

Saturday provides the colt's swan song and Lewis has not yet dared think about the gap he will leave at his Epsom yard. Certainly, Lewis seems to invest more emotion in his horses than some British trainers, who

appeared to describe them as a mechanic might his monkey wrench in a documentary last week.

Lewis has not forgotten that horses bought his passage out of an early career as a bell boy. "Without them I would probably be head down at a hotel now," he said.

Sanders sways Rival

Amanda Sanders was highly praised after riding Rival Bid to victory at Leicester yesterday. The 23-year-old apprentice brought Norma Macaulay's gelding with a well-judged challenge to beat Richard Hills on

El Bailador by three quarters of a length.

At the same track, Alan Daly, the apprentice partner of runner-up, Edna Heights, handed a two-day suspension for improper riding.

Carla raises Cecil's hopes for Classics

A record-breaking performance by Henry Cecil's filly Lady Carla at Leicester yesterday put her into contention for Classic success next year. She runs in the colours of Wafic Said, who also owns the Cecil-trained Bosra Sham, favourite for next year's 1000 Guineas.

Lady Carla was having in her first race yesterday, but stretched clear in the closing stages of the Hoby Maiden Stakes to win by four lengths from General Macarthur in 1 min 34.5sec, nearly one and a half seconds faster than the previous record for a two-year-old over a mile at Leicester: Fast ground and a strong tailwind certainly helped.

Pat Eddery, who rode her yesterday, said: "I know Mr Cecil likes her a lot and I think she could be an Oaks filly next year, whereas Bosra Sham is a speed filly."

RACING RESULTS

LEICESTER

1.45: 1. THORNS (5) 7-1, 2. Miss Santa Lucia 14-1, 3. Whodunnit 50-1, 13. 10-11 (P) Diamond Beach 1/4, 14. 10-11 (P) Diamond Beach 1/4, 15. 10-11 (P) Diamond Beach 1/4, 16. 10-11 (P) Diamond Beach 1/4, 17. 10-11 (P) Diamond Beach 1/4, 18. 10-11 (P) Diamond Beach 1/4, 19. 10-11 (P) Diamond Beach 1/4, 20. 10-11 (P) Diamond Beach 1/4, 21. 10-11 (P) Diamond Beach 1/4, 22. 10-11 (P) Diamond Beach 1/4, 23. 10-11 (P) Diamond Beach 1/4, 24. 10-11 (P) Diamond Beach 1/4, 25. 10-11 (P) Diamond Beach 1/4, 26. 10-11 (P) Diamond Beach 1/4, 27. 10-11 (P) Diamond Beach 1/4, 28. 10-11 (P) Diamond Beach 1/4, 29. 10-11 (P) Diamond Beach 1/4, 30. 10-11 (P) Diamond Beach 1/4, 31. 10-11 (P) Diamond Beach 1/4, 32. 10-11 (P) Diamond Beach 1/4, 33. 10-11 (P) Diamond Beach 1/4, 34. 10-11 (P) Diamond Beach 1/4, 35. 10-11 (P) Diamond Beach 1/4, 36. 10-11 (P) Diamond Beach 1/4, 37. 10-11 (P) Diamond Beach 1/4, 38. 10-11 (P) Diamond Beach 1/4, 39. 10-11 (P) Diamond Beach 1/4, 40. 10-11 (P) Diamond Beach 1/4, 41. 10-11 (P) Diamond Beach 1/4, 42. 10-11 (P) Diamond Beach 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